REFERENCE

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Editors

The Palgrave Handbook of Management History

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With 65 Figures and 6 Tables

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This book is dedicated to the founding figures of management history:

- *Sidney Pollard (1925–1998)*
- *Dan Wren (1932–)*
- *Art Bedeian (1946–)*

As management historians, we stand on the shoulders of giants.

Preface

The *Palgrave Handbook of Management History* is going to press in a time of crisis as the effects of the Coronavirus and its aftermath cause the most profound economic, social, and managerial challenge since World War II. For a management historian who has a profound faith in the extraordinary resilience and strength of liberal, democratic free-market societies, this crisis brings to the fore the most fundamental issues of management – how do societies innovate, create value and wealth, provide sustainable employment, and raise the living standards of the ordinary citizen? In recent times, these issues – which have remained *the* fundamental challenges of *every* society – have taken second place behind concerns as to the environment, inequality, and the detrimental effects of globalization. As we move forward out of this crisis, these secondary problems still deserve attention, most particularly those relating to the detrimental effects of globalization, a process of economic integration that has stripped too many societies of their painfully constructed manufacturing capabilities, managerial expertise, labor skills, and employment opportunities. However, as we move forward, we need to remind ourselves of the gains that have been made across the decades and centuries rather than sink into a misinformed state of despair. On almost every front, the world is better placed to handle economic, social, and medical crises than what it was even 30 years ago. On every front, gains have been extraordinary. Poverty has been curtailed in every region on the planet. Literacy and education have increased massively. The supportive structures of the state in terms of welfare programs, medical advances, and educational experiences now provide a far more significant safety net than that which existed 30 or 40 years ago. In the USA, for example, in 2019 the *percentage* of Gross Domestic Product spent on social support services (e.g., education, health, welfare, etc.) was double what it was in 1960 and 50% higher than what it was in 1990 (OECD 2019). In absolute terms, the gains have been even more significant, given the massive increases in the American economy's overall capacity.

In considering the problems and possibilities before us, we need to remind ourselves how management has become one of the central institutions of modern civilisation. Whereas once the world of business was dominated by the activities of small-scale, family-owned enterprises, today the bulk of the goods and services produced within market economies are generated by corporate entities, each staffed by a bevy of managers and associated professionals (e.g., accountants, human resource staff, marketing and information technology personnel, etc.). Yes, it is true that small-scale entrepreneurs and start-ups still generate much of a modern economy's innovative drive, inventing new technologies and more efficient work practices. It is also true that small firms have similar managerial problems to large ones: they need to marshal resources effectively, motivate staff, and sell into competitive markets. Increasingly, however, innovation is only economically meaningful to the extent that new ideas are taken up by corporate behemoths and transformed into goods and services produced *en masse*. Numerically as well as economically, small-scale entrepreneurs find themselves overshadowed by an ever-growing class of professional managers. An Organisation for Economic Co-operation and Development (OECD) survey, for example, estimated that in 2014 only 15.8% of OECD labor force participants were self-employed. In 26 of the 37 OECD countries, moreover, self-employment declined between 2000 and 2014, often by significant margins (Peetz 2019: 163–164). In the case of the USA, labor force statistics suggest that only 10% of the workfroce were self-employed in 2014 (Desilver 2019). By contrast, the most recent US labor force statistics indicate that 11.38% of the workforce, some 14.8 million people, were employed in "management occupations." If we extend our estimates to include those in associated "business and financial occupations" the figure grows to 22 million, or 14.8% of the labor force (United States Bureau of Labor Statistics 2020).

The extraordinary rise of management as a profession and a discipline confronts us with fundamental questions that are central to the modern experience. What is management and in what ways do modern forms of management – as found in democratic market societies – differ from those found in both pre-industrial and totalitarian societies, if indeed there is a difference at all? Is the advance of modern forms of management a positive or negative historical phenomenon? Do the forms of management that emerged in the North Atlantic littoral during the eighteenth and nineteenth centuries have a universal application? Has there been a convergence or a divergence of global managerial practices across the last 50–100 years? It is to these questions that the *Palgrave Handbook of Management History* speaks.

In both the opening chapter (1, "Management History in the Modern World") and the introductory section of the *Handbook* (What is Management and Management History), we begin our exploration of these questions with a consideration of the deep divides that now characterize management history, a battle that has seen understandings of management itself become contested terrain. In reflecting upon current divisions within the discipline in our opening section, my Co-Editor, Jeffrey Muldoon (Chap. 5, "Conflicting Visions: A Recap About the Debates Within Management History"), makes a noteworthy point that I can only but endorse:

> My perception is that the field is very different from the one I entered into about 10 years ago. In some ways, the field is worse. Although the Journal of Management History remains a well-regarded journal, we no longer see history articles published in higher-level journals such as the Journal of Management. Although we have new perceptions, the clarity and precision that I believe characterized the field during the period of ascendancy and domination by the University of Oklahoma (Dan Wren) and the Louisiana State University ascendency is increasingly gone. Yet, at the same time, we also have witnessed increased debates that are furthering the field. No matter one's perspective, these current debates about

> traditional history versus the new postmodernist history can only benefit the field, as it moves us beyond single studies with little connection to each other to rigorous debates that may advance the discipline. Although I am a critic of much of the new history, I am respectful of the talents of the postmodernist side, their intellectual contributions, and mostly, because it is inspiring debate.

As I observe in the *Handbook*'s introductory Chap. 1, "Management History in the Modern World: An Overview," the contested field of management history today witnesses three different understandings of not only management but also its historical evolution. Long dominant is the tradition to which Muldoon is a proud exponent, one historically associated with the Management History Division of the Academy of Management in general and Dan Wren (University of Oklahoma) and Art Bedeian (Louisiana State University) in particular. Unabashed enthusiasts for free market capitalism, this US tradition has been primarily concerned with the ideas that have shaped management and how management has dealt with human problems of alienation and disengagement even as it pursued greater efficiencies. Existing alongside this American tradition is another school of thought of equally long standing, one associated with the Austrian-born English management historian Sidney Pollard – a tradition to which I subscribe. Although the differences between the American and Pollardian traditions are modest in the broad scheme of things, Pollard differed from his US counterparts in placing greater emphasis on the rupture that occurred in managerial practices with the Industrial Revolution. In Pollard's opinion, any resemblance between pre-industrial and modern forms of management – as they exist in market economies – are more apparent than real. As Pollard (1965: 7) explained it, modern managers are "unlike the builders of the pyramids" in that they have to "not only show absolute results in terms of certain products of their efforts, but to relate them to costs, and sell them competitively." Long ascendant, both the American and Pollardian traditions of management history are now under challenge from a new "critical" or "postmodernist" tradition that perceives management in universally hostile terms, as a source of oppression and degradation. As Roy Jacques and Gabrielle Durepos (2015: 101) expressed it in the *Routledge Companion to Management and Organizational History*, management "emerges from several major forces related to American industrialization beginning in the 1870s and largely completed by 1920"; changes initially associated with "an American 'Reign of Terror'" during the late nineteenth century, a time when capitalism and management "effectively silences the fight that was going on between labour and employers for authority within the factory." The problem with "management history," Jacques and Durepos (2015: 102) continue, is that "stories" about worker experiences from outside management "disciplines" (i.e., labor history, sociology, etc.) have typically been ignored by management history – a point that has undoubted merit.

In essence, the first half of the *Palgrave Handbook of Management History* is largely theoretical in purpose, as we explore both the debates that currently define the field *and* the historical origin of the concepts and understandings that underpin these debates. It is with these debates that we begin the *Handbook* with our first section, What is Management and Management History? Edited by Jeffrey Muldoon, this section begins with a discussion as to the nature of management and concludes with Muldoon's Chap. 5, "Conflicting Visions: a Recap About the Debates Within Management History."

Although the first half of the *Handbook* is largely theoretical in nature, we would be negligent in our duties if we failed to locate current debates and understandings within a long-term perspective. This explanation necessarily entails two interrelated but distinct undertakings. One involves an exploration of the deep intellectual and organizational roots of management in the human experience. The other is an examination of the rupture that I believe occurred in managerial and work practices during the closing decades of the eighteenth century and the opening decades of the nineteenth century in the economies located around the North Atlantic littoral. It is to this issue that we turn in the *Handbook's* second part: Work, Management, and Economic Organization in the Pre-modern World. In doing so, this part emphasizes rather than downplays the transformation that occurred during the Industrial Revolution. In terms of transport, for example, the tonnage of a single modern bulk freighter easily surpasses that put to sea by the *combined* fleets of Genoa and Venice in the thirteenth century – fleets whose size and complexity were among the wonders of the late medieval world. In such circumstances, long-distance maritime trade was largely restricted to luxury items of high value (silks, spices, dyed woolen cloth, etc.) and durable necessities (grain, timber, wine). On land, transport problems were even more apparent. Only items of considerable value would bear the cost of transport that exceeded ten miles or more, an outcome that restricted the great bulk of pre-industrial production to strictly local needs. In turn, the gearing of production to local wants curtailed the need for innovation. Everywhere in the pre-modern world, a lack of smelted metal – which only became a common commodity from the 1780s – resulted in "capital" goods lacking in durability. In the absence of durable capital goods, productivity remained low. Across the globe, every society found itself bound within a Malthusian trap, a world in which temporary gains in population and output invariably hit what appeared an unbreakable resource ceiling. Even in England, the most dynamic European society, per capita living standards in the early 1700s were little different to those experienced in the early 1300s (Phelps Brown and Hopkins 1956). The Industrial Revolution thus heralded more than a new age of managerial endeavor. It also marked the dawn of a new era in the human experience, one where material plenty rather than privation became the lived experience of the typical citizen.

Both the Industrial Revolution and the revolution in ideas that preceded it (the European Enlightenment) entailed new ways in looking at the world, a transformation associated with not only new intellectual concepts but also new intellectual disciplines: most notably economics and management. Accordingly, in the third part of the *Handbook* (The Foundations of Knowledge and Management: An Introduction), Kaylee Boccalatte and I explore the epistemological and economic understandings that came to define the modern world. In doing so, we also investigate the oppositional currents – some grounded in socialism and Marxism and others in English Romanticism and German and Italian philosophic idealism – that emerged in contradiction to these dominant understandings. Following on from this, my fellow Editor, Jeffrey Muldoon, examines how the discipline of management emerged in the century and a half prior to World War II in a section entitled The Classic Age of Management Thought: Mid-nineteenth Century Until 1939. In this part, Muldoon investigates, among other things, the intellectual and practical contributions of Frederick Taylor, Henry Ford, Elton Mayo, Kurt Lewin, and those associated with Britain's Tavistock School, contributions that remain seminal not only to the managerial endeavors of the modern world but also to the disciplines of management, management history and organizational psychology. In the Handbook's fifth section, Postmodernism, I conclude the first half of the *Palgrave Handbook of Management History* by returning to the debates that currently divide management history through an exploration of the lives, ideas, and intellectual influence of the three most significant postmodernist thinkers: Jacques Derrida, Michel Foucault, and Hayden White. In considering the ideas of these three philosophers as well as postmodernism more generally, it is argued (Chap. 27, "Postmodernism: An Introduction" by Bowden) that "In the final analysis . . . the fundamental differences between postmodernist and non-postmodernist historians revolves more around different understandings of freedom rather than different epistemologies." As disciples of Friedrich Nietzsche, Martin Heidegger, or Benedetto Croce, leading postmodernist philosophers have advocated a complete freedom of individual will and being. In considering this call for absolute freedom, I echo Albert Camus's (1951/1978: 296–297) belief that absolute freedom is always tyrannical, just as absolute virtue is always homicidal.

In the second volume of the *Palgrave Handbook of Management History,* we move from a consideration of the theoretical principles and debates that have both underpinned and divided management history to an estimation of how management has developed since World War II and how managerial practices have manifested themselves in various geographical locations. In the first section of this half of the Handbook, entitled Management in the Age of Prosperity, 1940s to 1980, Kevin Tennent has brought together seven chapters, penned by nine authors, covering themes such as Keynesianism, Peter Drucker, Michael Porter, Alfred Chandler, industrial relations, the rise of marketing and organizational psychology, as well as British management more generally. In summing up the transformation that occurred between 1945 and 1980, Tennent (Chap. 32, "Management in the Age of Prosperity, c. 1940–1990: Section Introduction") makes the pertinent point that these years represented a,

> . . . third era of globalization, with an increasing emphasis on cross border trade in intermediate products and horizontal FDI with the expansion of multinational enterprises across borders, in the capitalist world at least. This impetus created new opportunities for managers and the overarching ideology of managerialism based around the planning and coordination of economic activity by dispassionate administrators, people who were ideally separated from the ownership of capital.

The post-1945 transformation in managerial ideas and practices is continued in Anthony Gould's section, Management in an Age of Crisis, which brings together seven single-authored chapters. In introducing this section, Gould (Chap. 40, "Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era") speaks to the central dilemmas of the modern world, observing how

> The story of the 45th U.S President`s political ascendancy embodies the paradox of the last 50 years. Experts have let down the public. . . they have often been wrong . . . Wallowing in the intellectual debris of post-industrialism, more experts used more theory and logic to misread who was to be the President of the United States in 2016 . . . the decimated middle-class and those worse-off . . . were fed-up with the experts, and not without justification. A new and dystopic era had emerged. It was post-neoliberalism – post-industrialism.

In the final two sections of the *Palgrave Handbook of Management History,* we turn our attention towards a consideration of how management has manifested itself geographically. In doing so, the question that we have constantly before us is the following: are we witnessing at a national or a regional level a continued application of Western models of management that largely emerged from the Anglosphere, or are we now witnessing something fundamentally different in Asia, Africa, Latin America, and Continental Europe? In short, has there been a convergence or divergence of managerial practices? To answer this fundamental question our penultimate section – Different Experiences: Europe, Africa, and the Middle East – examines the history of management in Africa (four chapters), the Middle East (one chapter), and Europe (chapters on France, Denmark, and the Orthodox East, i.e., Byzantium and Russia). In summary, this section points to the following conclusion: that in Africa and the Middle East, a Western model of capitalism and management has prevailed within the formal economy, as it has continued to do in Western Europe. By contrast, the historical experiences of Byzantium and Russia – each of which acted as the militarized eastern sentinels of European culture – proved infertile soil for Western models of capitalism and management. In our final section, we continue this geographical exploration through a consideration of the experiences of India, China (two chapters), Latin America, Australia, and New Zealand as well as Asia more generally. In doing so, we are led towards similar conclusions to that found in our penultimate section, namely that a Western model of capitalism and management has largely prevailed. The key exception to this rule, we suggest, has been China. As Elly Leung's (Chaps. 59, "The Making of a Docile Working Class in Pre-reform China," and 60, "Governmentality and the Chinese Workers in China's Contemporary Thought Management System") two chapters indicate, in China a new system of social and workplace despotism has emerged, a system of oppression based upon a fusion of traditional confucian beliefs and an updated variation of Mao Zedong's model of Marxism. Achieving extraordinary economic successes in the closing decades of the twentieth century and the opening decades of the twenty-first century, the long-term viability of this peculiar Chinese system of management now appears questionable. As mass uprisings in Hong Kong have indicated, Western models of freedom are hardly alien to modern Chinese aspiration. Such outcomes point to the fact that the Western model of management has been successful in large part because it has been associated with individual freedom. As Sidney Pollard (1965: 6–7) observed in *The Genesis of Modern Management*, "the absence of legal enforcement of unfree work was not only one of the marked characteristics of the new capitalism, but one of its seminal ideas, underlying its ultimate power to create a more civilized society."

In exploring the genesis and history of management the *Palgrave Handbook of Management History* owes a debt to many people, most particularly to the 27 authors who have contributed to our 63 chapters. A special debt is owed to our Section Editors, most particularly Kevin Tennent (University of York, UK), Anthony Gould (Laval University, Quebec), and Jeffrey Muldoon (Emporia State University, USA). As friends, collaborators, fellow authors, and editors, they have carried an often-heavy burden over the last 2 years. I would also like to acknowledge the efforts of Adela McMurray in initiating this project and in helping us through the project's initial travails. Finally, I would like to extend a special thanks to the staff of Palgrave's London office. In doing so, I – as well as all the editors and authors involved in this project – am particularly in the debt of Ruth Lefreve. Without her efforts and encouragement, this work would not have been possible.

Brisbane Bradley Bowden
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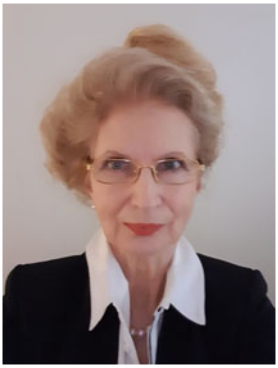
About the Editors

Professor Bradley Bowden is an Australian academic and management historian. He is currently Editor-in-Chief of the *Journal of Management History* and Co-Editor in the Palgrave Macmillan Debates in Business History Series. He has twice won the Academy of Management's John F Mee Award for Outstanding Contribution to Management History. Between 2016 and 2017, he also served as Chair of the Management History Division of the Academy of Management.

Professor Jeffrey Muldoon is Associate Professor and Baehr Distinguished Professor at Emporia State University. His research interests include management history (with special emphasis on the Hawthorne studies and the career of George Homans), social exchange, entrepreneurship, and leadership. His research has appeared in such journals as *Stress and Health*, *Leadership and Organization Development Journal*, *Personnel Review*, *Career Development International*, and the *Journal of Management History*. His research in history had won the Best Student Paper at the Academy of Management in 2009 and the Most Outstanding Paper Award for the *Journal of Management History* in 2013 for his paper on The Hawthorne Legacy. Professor Muldoon is on numerous editorial boards, including Associate Editor of *Journal of Management History*. He also won the John F Mee award.

Professor Anthony M. Gould is *Professeur titulaire* (full professor) of Employment Relations at Laval University, Canada, and Chief Editor of *Relations industrielles/Industrial Relations*, the oldest journal of its kind in the world. Concurrently, he is a Visiting Research Professor at Griffith University in Brisbane, Australia, and sits on the International Advisory Committee of Macquarie University's Centre for Workforce Futures in Sydney, Australia, and the International Advisory Committee for the University of NSW Business School's *Economic and Labour Relations Review* also in Sydney. Professor Gould has served on the editorial committees of well-known scholarly journals including the highly respected *Journal of Management History*, a role for which he was awarded *Emerald Publishing*`s Best Reviewer Prize in 2017. With aide and encouragement from talented and generous colleagues, since 2010 Professor Gould has authored more than 20 peer-reviewed articles (often with others) concerning labor and economic history, industrial sociology, management strategy, and research methods. This *corpus* is published mostly in elite scholarly journals (as measured by *impact factor* and *Cite-Score, etc.*) and has been cited multiple times.

Professor Gould has held professional jobs in six countries while maintaining consulting and governance-based relationships with individuals and institutions in the Middle East and Asia. Prior to entering academia in 2007, he was a Senior Executive in large government agencies in Australia and the UK.



Professor Adela J. McMurray has extensive research experience in public and private sectors and has published over 280 refereed publications. Her research is internationally recognized and she is the recipient of four Australian Research Council grants, two Cooperative Research Centre grants, and various other competitive grants totaling over $5 million. Professor McMurray is Associate Editor of the *Journal of Management History*, has chaired the USA Academy of Management's International Theme Committee, and is a member of the Management History Division and a number of editorial advisory boards. She is the recipient of national and international awards for best research papers, teaching, and supervision excellence.

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Part I

Introduction

Management History in the Modern World: An Overview

1

Bradley Bowden

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Abstract

Management history as a discipline is different from business and economic history in that it is primarily concerned with the supply side of the economic equation, with the nature of work, the ideas that guide it, and the economic wealth that is produced as a result of managerial oversight and endeavor. In terms of theoretical perspectives, management history embraces three main intellectual frameworks. The most significant of these has been associated with the founding figures of the Management History Division of the (American) Academy of Management, most particularly Claude George, Dan Wren, Ronald Greenwood, and Arthur (Art) Bedeian. Unabashed enthusiasts for free market capitalism, this US tradition is most concerned with the intellectual history of management, and the ideas that shaped managerial practice. By contrast, a different British tradition of management history associated with Sidney Pollard has been more directly focused on managerial practices, arguing that "modern management" is fundamentally different from earlier iterations found in pre-industrial societies. More recently, a critical or postmodernist tradition has gained influence in management history, an intellectual perspective that views management in largely negative terms. In this introductory chapter, we evaluate the strengths and weaknesses of these three management history perspectives.

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Introduction: What Is Management History?

Producing the *Palgrave Handbook of Management History* has been a massive undertaking. Involving some 63 chapters, it explores both the ideas and experiences of management *and* the ways in which these ideas and experiences have shaped the world around them across the ages. Its approach is broad and encompassing, covering every issue that a person interested in a management-related theme would want to have include: whether that interest relates to economics, classical management thought, Marxist and postmodernist critiques of management, management practices in antiquity, the emergence of cost accounting, employment relations, the current crisis of wealth creation, or managerial practices in South America, France, Russia, India, China, or New Zealand or a range of other societies. In covering these broad areas of management's past, the *Palgrave Handbook* primarily speaks to the present, to understanding *both* the debt that we owe to the past *and* the unique features that management brings to modern democratic societies that distinguish us *from* the past.

Before advancing further, we must first ask ourselves a number of key questions. What is management history? How does it differ from business history or even economic history?

As a continuous intellectual discipline, both the origins and the continuing beating heart of management history are primarily located within the Management History Division of the (American) Academy of Management (AOM), a division I had the honor of chairing in 2016–2017. Significantly, when the AOM decided to adopt a divisional structure in 1971, the MHD was one of the ten foundational divisions. Claude George from the University of North Carolina not only chaired the MHD's inaugural meeting; he also acted as the Division's Chair for the first 3 years of its existence (Greenwood 2015). In a book first published a few years before the MHD's formation, *The History of Management Thought*, George (1968/1972: vii) declared that the purpose of management history was one of providing "a framework for understanding the development of management thought," thereby helping "to unify the broad field of management for scholars and practitioners alike." What George was clearly most interested in was an *intellectual* history of management, most particularly in the United States, and the ways in which (largely American) managerial concepts and philosophies shaped managerial practice. In an article published in 1987, "Management History: Issues and Ideas for Teaching and Research," Dan Wren – another founding member of the MHD who served as Chair in 1975 – spelt out broader objectives for management history. A figure whom my co-editor, Jeffrey Muldoon, describes in his detailed chapter on this topic, ► Chap. 5, "Conflicting Visions: A Recap About the Debates Within Management History," as a historian who has "occupied the commanding heights of the field," Wren (1987: 341) continued to associate management history with "the history of ideas or concepts." However, he also argued in favor of the study of institutions, the "business firm," and "organizational life cycles" (Wren 1987: 341). In doing so, Wren (1987: 342) also asked: "Managing today is different from that of last year, the last decade, or what date we choose. But *how* different?" [emphasis in original].

Implicit in Wren's question is the concept of a fundamental rupture in the history of management, a rupture that distinguishes the management of "today" from that of yesteryear. Strangely, however, Wren and his famed co-authors – most particularly Ronald Greenwood and Arthur (Art) Bedeian – continued to take an ambivalent position on this key issue. In their book, *Management Innovators: The People and Ideas That Have Shaped Modern Business*, Wren and Greenwood (1998: 6) stated that "Management is an ancient practice; it had its place (and still does) in governmental, religious, military, and other types of early organization." Wren and Greenwood (1998: 6), however, then immediately go on to state that "none of these [earlier institutions] grew to the scale and scope of the modern business enterprise, which needs to not only to adapt [to] ever-changing economic, social, and political forces but also to do this in a profitable fashion." Elsewhere, Wren and Greenwood (1998: 6) declare their book to be "the story of American business enterprise," a study that traces how American inventors and innovators changed "the way we live," creating "entirely new industries" within a "competitive environment." Implicit in these principles is not only a belief in American "exceptionalism" but also the understanding that management history differs from business history in that it pays special heed to people and their ideas. In other words, the key driver of managerial and societal change is not economics, or technology, but rather the innovative individual who transforms previous concepts and/or practices. Similar themes characterize Wren and Bedeian's *The Evolution of Management Thought*, a work that is without doubt the most influential study yet undertaken in management history. Originally a sole-authored work by Wren, with subsequent editions being co-authored with Bedeian (it is currently in its seventh edition with an eighth in the pipeline), this study continues to depict management as an "ancient" craft that can be traced back to the ancient Sumerians and Egyptians (Wren and Bedeian 1972/2017: 20). At the same time, however, it draws an implicit distinction between past and modern managerial practices, Wren and Bedeian (1972/2017: 3) opening the first chapter of their book with the following statement:

> The practice of management is ancient, but the formal study of management, based on an evolving body of knowledge is relatively new. Rarely, if ever, in human history has an activity emerged as fast as management and proven so indispensable so quickly.

In the same paragraph, Wren and Bedeian (1972/2017: 3) also hark back to the theme of George's (1968/1972) earlier work, declaring "the evolution" of management "thought" to be their "primary focus." In pursuing this theme, Wren and Bedeian – like George, Wren and Greenwood – are clearly guided by an underlying belief in American "exceptionalism," largely confining their study to American thinkers, practitioners, and experiences. Wren and Bedeian also differ from the "critical studies" that now dominate much of the field in management and organizational studies in being unabashed enthusiasts for free market capitalism.

Wren and Bedeian have profoundly influenced understandings of management history not only through their research but also through their teaching. Between the two of them, they helped train a generation of management historians – including my co-editor, Jeffrey Muldoon – as they turned the University of Oklahoma (Wren) and Louisiana State University (Bedeian) into bastions for management history scholarship. From these bastions, Wren and Bedeian acted as mentors, colleagues, and intellectual leaders for US management history, a tradition that placed ideas and intellectual history at the center of study. Accordingly, if one talked to an executive member of the MHD at the AOM's Annual Meeting prior to say 2010, one could almost be assured that one was speaking to a colleague of Wren or Bedeian, if not one of their former students.

Long dominant, the Wren-Greenwood-Bedeian school of management history was not, however, the only intellectual tradition within management history in the 1960s and 1970s. In Britain, a different tradition emerged through the work of Sidney Pollard (1958, 1963, 1965), a Jewish-Austrian refugee from fascism who spent most of his career at the University of Sheffield. As I discuss at depth in a subsequent chapter – "Conflicting Understandings of the Industrial Revolution and its Consequences: The Founding Figures of British Management History" – Pollard differed from George, Wren, Greenwood, and Bedeian not only in terms of his intellectual background but also in relation to the debates with which he engaged. Whereas George, Wren, Greenwood, and Bedeian were first and foremost students of management, Pollard was an economic historian whose research conclusions turned him into a management historian. Like Arnold Toynbee (1884/1894), John Nef (1932a, 1932b, 1934, 1937, 1943, 1950/1963), and John Clapham (1926/1967, 1932/1967, 1938/1951) before him, the most important questions in human existence for Pollard related to the transformative rupture that we know as the Industrial Revolution, a transformation that produced an industrial civilization unlike any before it.

Whereas the works of George, Wren, Greenwood, and Bedeian were informed by an implicit belief in American "exceptionalism," Pollard's work was informed by underlying assumptions as to British "exceptionalism." Unlike Wren, Greenwood, and Bedeian, Pollard was also unequivocal in drawing – as the title of his major book, *The Genesis of Modern Management: A Study of the Industrial Revolution in Great Britain*, suggests – a sharp distinction between pre-modern and modern forms of management. In Pollard's (1965: 6–7) estimation, modern managers in democratic, market economies differ from those found in both pre-modern and totalitarian societies in having the following characteristics: they deal with a free and mobile workforce, they need to possess an acute understanding of costs, they sell into a competitive market economy, they oversee capital-intensive forms of production, and they need to constantly innovate. Above all, Pollard associated the Industrial Revolution – and the industrial civilization that it spawned – with the transformation of managers into a new professionalized social class, creating wealth as a paid occupation that typically owns few of the productive assets it oversees. As to the nature of the Industrial Revolution, Pollard argued it was first and foremost a "managerial revolution" rather than a "technological revolution" and that modern management was both the creation and the creator of the Industrial Revolution. For the hallmark of the Industrial Revolution, Pollard (1965: 102) argued, was not so much technological change as,

> . . . improvements in organization . . .involving better layout of factory space, division of labour, design of the product with the process of production in mind, interchangeability of parts, control of raw material stocking and supply.

As a management historian, Pollard differed from his American counterparts in being more concerned about managerial *practices* than managerial *ideas*. Despite such differences, however, Pollard shared more common ground with his US counterparts than he did with either his fellow economic historians or the emerging leaders of business history such as Alfred D Chandler. Like Wren, Greenwood, and Bedeian, Pollard believed that "modern management" as manifest in liberal, market economies is a progressive social force. Nowhere, Pollard argued, was this more evident than in its relationship with a new class of legally free wage laborers, a workforce that had to be not only recruited and managed but also motivated. As Pollard (1965: 6–7) explained it, "the absence of legal enforcement of unfree work was not only one of the market characteristics" of the new managerial form of capitalism. It was also "one of its most seminal ideas, underlying its ultimate power to create a more civilized society." As a management historian – rather than a business or economic historian – Pollard was also more concerned about the *supply* side of the economic equation than the demand side. This differentiated his ideas from those of Chandler (1965, 1977, 1990) and subsequent business historians, who place greater emphasis on the ways in which the railroads and steam-powered shipping created new mass consumer markets after 1830. For Pollard, the most important driver "from the side of demand" was not the consumer, but rather the supply-side needs of other industries. Consequently, for Pollard (1958: 217) the key event in the Industrial Revolution, around which everything else turned, was "the emergence of an engineering industry," capable of creating and maintaining "the new equipment and the motors or engines needed by the first industries to be mechanised." From this central and indispensable core, Pollard (1958: 217) identified a ripple effect that fuelled industrial take-off as the engineering industry fostered increased coal and iron production, improved transport, and enhanced managerial and employee skills. In other words, in the Pollardian strand of management history, "modern management" is primarily worthy of its study because of its capacity to *create* wealth rather than because of the consumer demand that benefits from that wealth.

In recent decades, traditional forms of management history – be they those informed by the American tradition of George, Wren, Greenwood, and Bedeian or the Britain tradition founded by Pollard – have come under sustained attack from postmodernist-informed "critical management studies." In their *A New History of*

Management, for example, Cummings et al. (2017: 35, 41) declared their intention to write a "Foucauldian"-inspired "counter-history," directed toward "overturning" our "assumptions of how management studies came into being . . . [and] what 'good' it seeks to serve." Elsewhere, in a study entitled, "A History of Management Histories," Jacques and Durepos (2015: 97) similarly condemn, "Management histories that . . .have a scientistic slant and appear timeless, universal, linear, progressive . . .These histories portray our current condition as an unquestioned and uncontested outcome of our past."

The new "critical perspectives" owe a clear debt to French philosophers such as Jacques Derrida (1967a/1976, 1967b/2001), Jean-Francois Lyotard (1979/1986, 1988/1991), Michel Foucault (1966/1994, 1969/1972, 1975/1991, 1976/1978), and Bruno Latour (1991/1993). In the view of Lyotard (1979/1986: 51), for example, modern capitalism and its associated systems of management was an inherently "dehumanizing process," a system of rigorously enforced inhumanity undertaken in the name of "efficiency and development" (Lyotard 1988/1991: 67, 6). Lyotard's postmodernist colleague, Michel Foucault, painted an even darker picture of "the development of capitalism," associating it with new systems of "micro-power" that entailed "infinitesimal surveillances, permanent controls, extremely meticulous orderings of space" (Foucault 1976/1978: 140, 145). For Derrida as well, the modern industrial civilization produced by the West was a retrograde endeavor. As Derrida (1993/2006: 106) expressed it in a lecture given in 1993, "never have violence, inequality, exclusion, famine, and thus economic oppression affected so many human being in the history of earth and humanity."

If we are to sum up the three main theoretical frameworks within management history – the George-Wren-Greenwood-Bedeian tradition, the Pollardian perspective, and the new critical or postmodernist viewpoint – we can ascertain areas of both agreement and difference. Implicit if not explicit in all three perspectives is the belief that nineteenth-century industrialization represented a fundamental break with the past, creating new systems of management and profoundly different economic and social relationship both within the workplace and without. Despite the hostility of the "critical" perspective to industrial capitalism, modern forms of management, and "ethnocentrism" (Derrida 1967a/1976: 3; Whittle and Wilson 2015), all three traditions are also Eurocentric in terms of the primary focus of their research and the methodologies that they use to study the past. Both the George-Wren-Greenwood-Bedeian and Pollardian traditions are positivist in methodological orientation, believing that the primary task of the historian entails the reconstruction of a reasonably accurate understanding of the past. Art Bedeian (1996: 312), for example, in summing up what he believed to be the guiding principles for any researcher, declared, "that truth is to be sought in an independent and rational manner." The idea that one can come to an "objective" assessment of the past, based upon rational and dispassionate criteria is, of course, an anathema to the postmodernist management historian. In articulating an alternative perspective in an article entitled "Research Strategies for Organizational History," Rowlinson et al. (2014: 253, 257) dismiss the positivist claim that there is an objective truth "that exists independently and prior to being discovered and told by the historian," arguing instead in favor of the view that there is a "fictive" element in any historical account. In a similar vein, Durepos (2015: 162) rejects the view that "management and organizational history" can be built upon "truth claims, objective history, fixed meanings." Instead of giving a primacy to "objectivity" and "truth," Durepos (2015: 161) recommends a deliberate "destabilizing" of the "dominant narratives" of the past. Cummings et al. (2017: 333) also declare that the purpose of their *A New History of Management* is one of "unsettling" established "orthodoxies" in ways that "lead to new thinking and liberating actions."

Although the postmodernist approach to methodology makes it the declared foe of positivism, it nevertheless remains the case that postmodernist frameworks are as much a product of the intellectual traditions of Western Europe as any other. As I discuss in ► Chap. 17, "Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management," postmodernism is the intellectual offspring of German idealist philosophy, a school of thought that always paid greater heed to individual consciousness than the circumstances of the material world. Among the German idealist thinkers, postmodernism in all its hues owes a particular debt to Friedrich Nietzsche, who argued that history – whether accurate or otherwise – is only useful to the extent that it inspires action and that "Ultimately the point is to what *end* a lie is told" (Nietzsche 1895/1990: 127). Rather than being directly inspired by Nietzsche and German idealism, however, most of today's postmodernist and "amodernist" management historians (Michael Rowlinson, John Hassard, Stephanie Decker, Gabrielle Durepos, Albert Mills) obtain their guiding principles through the mediating intellectual prisms of Foucault and the American postmodernist, the late Hayden White. Like Nietzsche, Hayden White (1973: 371) declared that historical writing should create an "illusionary world, outside the original world of pure power relationships," a world "in which the weak" forge a different image of both past and future so as to challenge "the authority" of the "strong." In other words, historical accuracy is of little value in and of itself. Instead, management history – like all forms of history – only obtains meaning through its capacity to inspire the weak and the oppressed into active resistance against established authority.

If the critical or postmodernist perspective differs from the older traditions in management history in terms of methodology, it also differs in the issues to which it primarily speaks. Whereas both the George-Wren-Greenwood-Bedeian and Pollardian traditions were primarily concerned with the "supply side" of the economic equation – with modern management's unprecedented capacity to create wealth – the critical perspective is, as Mollan (2019: 513) recently observed, preoccupied with "postmodernist concerns with power and its distribution," an orientation that prioritizes "inequality and discrimination in work, pay, and advancement based on gender, ethnicity, race, or sexuality." A preoccupation with the distribution of wealth, rather than its creation, is of course hardly confined to Marxist and postmodernists. Along with worries as to climate change, concerns as to social, racial, and gender inequality increasingly dominate academic disciplines in management, business, and the social sciences more generally. In his hugely influential *Capital in the Twenty-First Century*, Thomas Picketty (2013/2014: 15), for example, had a chapter heading entitled: "Putting the Distributional Question Back at the Heart of Economic Analysis." Elsewhere, Picketty (2013/2014: 257, 259) declares that "half the population" of Western Europe "own virtually nothing" and that for "millions of people, 'wealth' amounts to little more than a few weeks' wages in a checking account."

In many ways the growing concern with *distribution* of wealth, and a corresponding decline in the traditional interest of management historians with wealth creation, is paradoxical. In most advanced and developing economies, per capita income levels are at historic highs. In comparison with past societies, comparatively few people are employed in low-paid, menial jobs. In the United States in 2018, for example, 43.5% of the workforce were employed in managerial and professional jobs. Only 22.7% worked in low-paid retail, hospitality, or service jobs. All the rest worked in comparatively well-paid jobs in manufacturing, construction, mining, protective services, and private-sector administration (United States Department of Labor 2019). The percentage of national gross domestic product (GDP) allocated to public social expenditure is also approaching record highs in most OECD countries, averaging slightly more than 20% of GDP. In the United States, where public social expenditure is close to the OECD average, the amount expended in 2018, measured as a share of GDP, is more than double that spent in 1960. In 2018, expenditures were also approximately 50% higher than they were in 1990 (OECD 2019). Similarly, although no one would deny that discrimination on the base of race, ethnicity, and religion still occurs, it is nevertheless the case that discrimination because of gender, race, or sexual orientation is illegal in virtually every advanced economy. Female workforce participation is – in virtually every society – at or close to historic highs.

The comparative disinterest with wealth creation in modern academia points, it is arguable, to the comparative success of past managerial endeavors. For countless generations a matter of overriding concern, wealth creation (i.e., production, logistics, entrepreneurship, productivity, etc.), now appears a secondary issue. While happily conceding that issues relating to inequality deserve the attention of management historians, it is nevertheless also the case that a declining interest in wealth creation has arguably contributed to management history's inability to contribute in a meaningful way to recent debates in economic history as to when, why, and how the wealth-producing capacities – and associated living standards – of Northwestern Europe diverged from those found elsewhere. The product of the so-called "convergence/divergence" debate (i.e., when did the economic capacities of advanced European societies diverge and converge with those located elsewhere in the globe), this emerging literature (Allen 2003; Allen et al. 2011; Broadberry and Gupta 2006; Parthasarathi 1998; Pomeranz 2000; Li and Zanden 2012; van Zanden 2002; van Bavel and van Zanden 2004) is highly significant for management history for two main reasons. First, it points to the great difficulty that pre-industrial societies experience in trying to escape from what Allen (2003: 406) describes as "the Malthusian trap," in which a growing population eventually confronts an apparently immutable productive ceiling. The result is a vicious historical cycle of diminished per capita wealth, famine, disease, population collapse, and an eventual demographic recovery that ends up confronting the same immutable ceiling. The classic example of this is found in the experiences of Western Europe between the thirteenth and seventeenth centuries. As Fig. 1 indicates – which draws on the so-called Phelps Brown-Hopkins (1956) wage-price index for skilled building workers in southern England between 1264 and 1650 – a collapse in population in the mid-fourteenth century caused by the Black Death resulted in a massive spike in living standards as the survivors opted to farm only the most fertile land. As population recovered, however, living standards collapsed. Accordingly, in the mid-seventeenth century, the real wage of a skilled English worker was little better than that enjoyed by their counterpart in the thirteenth century.

The obvious conclusion that one is forced to draw from Fig. 1 is that the many managerial and technological advances obtained by management during antiquity, the High Middle Ages, the Renaissance, and the Reformation – printing, blast furnaces, windmills, compasses, new foods from the Americas, double-entry book-keeping, bills of exchange, and merchant banking – were incapable of freeing Western Europe from the "Malthusian trap" in which it found itself. By comparison, Fig. 2, which draws on research by Broadberry and Gupta (2006) into real wages in Europe, India and East Asia between 1500 and 1800 allows for very different conclusions. In tracing the "grain wage" of unskilled workers in a variety of locations – including southern England, Milan and Florence (considered together), and India – Broadberry and Gupta's (2006) research indicates that living standards c.1600 were much the same whether you lived in England, Florence, Vienna, Valencia, or northern or western India [note: a grain wage measures the kilograms of wheat a person could buy if they spent all their wage on wheat or a calorific equivalent in rye, barley, or rice]. Everywhere, societies appeared stuck in a classic Malthusian trap as population grew faster than available resources. In Europe, the possession of a colonial empire – although it enriched a comparatively small number

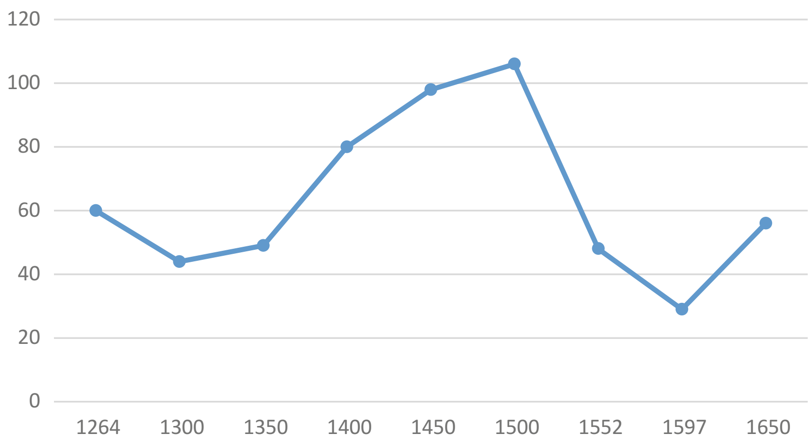

Fig. 1 Real wage of skilled building worker in Southern England, 1264–1650 (1447 = 100) (Source: Phelps Brown and Hopkins: "Seven centuries of . . . builders' wage rates," Appendix B)

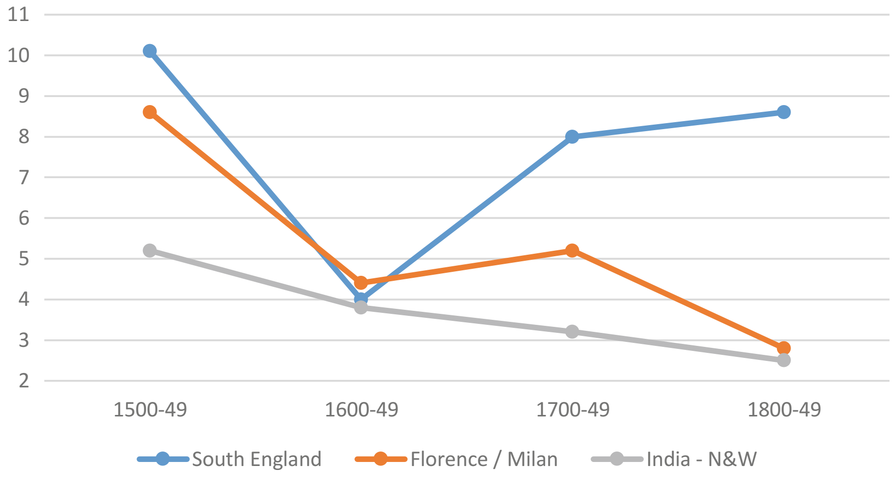

Fig. 2 Real wages (in kg of wheat) of unskilled building laborers, 1500–1549 to 1800–1849: Southern England, Florence/Milan, and Northern and Western India (Source: Broadberry and Gupta, Early Great Modern Divergence, Tables 2, 6)

of fortunate individuals – did little to guarantee improved overall circumstances. In Madrid and Valencia, for example, Broadberry and Gupta (2006: 6) calculate that the typical unskilled worker was poorer in 1700–1740 than they had been in 1500–1549, when the riches of Mexico and the Andes were still in the initial stages of Spanish exploitation. Palma and Reis's (2019) recent study of Portuguese circumstances also indicates that Portugal also gained no fundamental economic or managerial benefit from its colonial empire. As Palma and Reis (2019: 478) record, "Over the long run, there was no per capita growth: by 1850 per capita incomes were not different from what they had been in the early 1530s." By 1700–1749, however, the economic trajectory of England experienced a dramatic change, real wages moving sharply upward even as those elsewhere continued to decline, a trend that was to become even more pronounced in the nineteenth century.

What caused English (and, to a lesser degree, Dutch) circumstances to diverge so fundamentally from that found elsewhere? This is arguably *the* most important question in not only management history but also in the whole human experience. By understanding the answer to this question, we gain insight not only into the role of management in historical change but also as to the circumstances that underpin economic dynamism, entrepreneurship, managerial endeavor, improved real wages, and social cohesion in our own world. In many ways, this book series the *Palgrave Handbook of Management History* can be construed as an attempt to understand not only the answer to the question of why England followed a different trajectory from other societies – leading to what the economic historian John Nef (1950/1963) described as a fundamentally new "industrial civilization" – but also the *consequences* that ensued from the managerial and technological revolutions of the eighteenth and nineteenth centuries. Inevitably, those who lived within the confines of the new transformed global economy experienced a wide-range of experiences. As we shall ascertain, things looked very different from the point of view of the worker in the Bengal jute-mill, where traditional Indian values remained strong, than they appeared in New World societies such as Australia, South Africa, and New Zealand. The maturation of the new managerial and industrial order also produced – as we shall explore – not only new understandings of management but also new social tensions, economic crises, and transformative successes and failures. Only by looking at all of the complexities that produced the modern world, and the similarities and variations within it, can we fully comprehend the full story of management history.

A Note on the Meaning and Nature of Management

In the opening chapter of the *Palgrave Handbook of Management History,* ► Chap. 2, "What Is Management?," I explore in some depth the nature and meaning of management – and the different forms that it has assumed in pre-modern societies, modern totalitarian regimes, and modern liberal democracies. It is nevertheless useful at this point to consider how the main theoretical perspectives in management history – the George-Wren-Greenwood-Bedeian tradition, the Pollardian framework, and the critical or postmodernist perspective – each understand the term "management" and how these understandings differ from the standard textbook definition (i.e., management is "planning, organizing, leading and controlling"), a definition whose broad scope allows virtually any system of organized work to be considered under managerial direction.

In the introduction to their book, *Management Innovators*, Wren and Greenwood differentiated "ancient management" from management as found in advanced capitalist societies, associating the latter with three unique characteristics. First, Wren and Greenwood (1998: 6) argued modern forms of management are distinguishable by the "scale and scope" of their operations, the scale of the firm's activities demanding the formation of the "modern business enterprise." Second, the enterprise needs "to adapt" to "ever-changing economic, social, and political forces." Finally, the enterprise needs to operate "in a profitable fashion." Clearly, this is a tighter and more restrictive definition than the classic textbook fashion. By associating "management" with the "modern business enterprise," however, it not only differentiates modern "management" from pre-modern management, it also technically excludes modern small-scale activities undertaken by the self-employed and the small family business.

A more useful definition and discussion is found in *The Evolution of Management Thought*, where Wren and Bedeian (1972/2017: 3) begin their first chapter by stating: "For a broad working definition, management may be viewed as the activity whose purpose is to achieve desired results through the efficient allocation and utilization of human and material resources." Significantly, Wren and Bedeian (1972/2017: 3–10) then proceed to distinguish various forms of management – which they broadly group into three categories (traditional, command, and market) – according to various attributes: cultural, economic, social, political, human, technological, and organizational. Unlike economists and Marxists, who tend to see new forms of technology as the key driver of innovation and change, Wren and Bedeian (1972/2017: 7) relegate technology to a secondary role behind managerial innovation and organization, declaring technology to be "a means to an end that can produce beneficial as well as detrimental results." Wren and Bedeian also draw a clear distinction between "tradition-bound" managerial activities from those undertaken according to what they refer to as the "market method." In 'tradition-bound' societies, Wren and Bedeian (1972/2017: 5, 7) argue, management suffers from a lack of "innovation," offering their citizens "little incentive to seek new knowledge, to explore, or to experiment." If, in Wren and Bedeian's (1972/2017: 5–6) view, "modern societies" result from a combination of "tradition-bound" approaches, centralized "command" systems, and "the market method," it is nevertheless clearly the latter approach that is held to be superior. In Wren and Bedeian's (1972/2017: 6) estimation, the "market method" is more than a system of market exchanges. Rather it is recognized "as an economic philosophy," a set of principles that creates "the need for a formal body of management thought" and which "opens the way to the competitive use of resources."

Although the Wren-Bedeian formulation provides us with a far more sophisticated definition that the standard textbook description (i.e., planning, organizing, leading, controlling), it nevertheless suffers from some arguable flaws, most particularly when it comes to distinguishing managerial activity in pre-modern market economies from that found in industrialized capitalist societies. If we turn our mind, for example, to Renaissance Italy and the thriving commercial metropolis of Venice, we can clearly perceive a society characterized not only by managerial activities but also an economy operating according to the "market method." "The island city at the end of the fifteenth century was," Jacob Burckhardt (1867/1878: 51) famously observed, "the jewel-basket of the world," the place "where the business of the world is transacted." Of the Venetian businessperson, the great Belgium historian, Henri Pirenne (1925/1952: 86), declared that "No scruple had any weight with the Venetians. Their religion was the religion of business men." In the early fourteenth century, the Venetian arsenal or shipbuilding yard was also the most extensive manufacturing facility in Europe, covering some 32 acres at the entrance way to the Grand Canal (Nef 1950/1963: 65). Venice was also the birthplace of the commercial bank "cheque" and of double-entry bookkeeping, Luca Pacioli (1494/1994: 4) declaring that the double-entry system described by him to be the one "used in Venice." Yet, for all of its notable achievements, the Venetian economy little resembled a modern market economy. In terms of both production and exchange, Venice's merchants catered for a tiny elite market, excelling as they did in the production of expensive textiles and glassware. Writing of the situation that prevailed in the thirteenth century, Pirenne (1936: 161) observed that "the tonnage of a single [early] twentieth-century ship" was equal in tonnage "to that of the whole Venetian or Genoese fleet." Because the demand for its manufactured products among gullible Italian, German, and French aristocrats far exceeded demand, Venetian merchants had little need to concern themselves with costs. Even if a Venetian merchant was driven to seek efficiencies in production, any such move would have been stymied by the various craft guilds, institutions that North and Thomas (1973: 57) accurately refer to as "early-day monopolists." Despite the appearances conveyed by the activities at the arsenal, capital intensity in Venetian production was low. Moreover, those capital goods that did exist (warehouses, spinning wheels, weaving frames, ships) were – given the European-wide shortage of iron and steel – invariably made of wood. In the absence of artificial forms of energy (i.e., peat, coal, oil, gas, etc.), Venetian society also placed insatiable demands on forest reserves for domestic cooking and heating, for the charcoal used in iron making, and for the firing of bricks and glass. As Venetian society, and that of Renaissance Italy more generally, hit a Malthusian resource ceiling, all available sources of wood were felled. In Genoa, Venice's great commercial rival, the price of wood used in shipbuilding rose 12-fold between the late fifteenth century and the late sixteenth century (Cipolla 1981: 246). Similar price rises would have been experienced in Venice. In consequence, for all its apparent managerial and commercial dynamism, Venice proved no more capable of breaking through the apparently immutable Malthusian ceiling than any other Italian society, experiencing the same general decline in living standards that characterized Milan and Florence (see Fig. 2).

If the Wren-Bedeian definition of management – for all of its obvious benefits when compared to the standard textbook delineation – remains ambivalent as to the differences between pre-modern and modern forms of management within market economies, when we turn our attention to the critical or postmodernist tradition, we ascertain distinctions that are both clearer and more problematic.

Arguably, the most determined attempt to define both the origins and meaning of the concept of "management" within the critical or postmodernist tradition is found in Jacques and Durepos's study, "A History of Management Histories." Dismissing "the bland impressions" associated with the "Wren and Bedeian" formulation, Jacques and Durepos (2015: 101) argue that "management did not just happen." Instead, drawing on a mid-nineteenth century book by Freeman Hunt (*Work and Wealth: Maxims for Merchants and Men of Business*), Jacques and Durepos (2015: 97) describe "the history of management knowledge as a crawl out of the primordial ooze." In their view, "management" – unlike various pre-modern forms of workplace supervision – is *not* an activity inherent to all societies. Rather, Jacques and Durepos (2015: 101) somehow conclude, "What is now called management emerges from several major forces related to American industrialization beginning in the 1870s and [was] largely complete by 1920." In other words, in attempting to define "management," Jacques and Durepos advocate a form of reverse American "exceptionalism," whereby US management and business is declared the global leader in ignominy rather than innovation.

To prove their point that "management" is a fundamentally new concept in the human experience, Jacques and Durepos (2015: 100) point to the fact that the term is not used in a number of nineteenth-century texts, ignoring the research by Muldoon and Marin (2012) that point to the concept entering the English lexicon in the late sixteenth century. In Jacques and Durepos's estimation, it is also not industrial capitalism per se that is the principal source of oppression, as it was for Marx and Engels (1848/1953: 61) who declared in 1848 in their *Communist Manifesto* that "proletarians have nothing to lose but their chains" and "a world to win." Nor, presumably, is it factory mechanization per se, a process that was obvious in England by 1770, a century before the date that Jacques and Durepos associate with the emergence of "management." Instead, Jacques and Durepos (2015: 101) contend that the inauguration of new systems of management in the United States after 1870 was central to an employer conspiracy to silence "the fight that was going on between labour and employers for authority within the factory." Whereas, previously, Jacques and Durepos (2015: 101) claim, employers had instituted "an American 'Reign of Terror'" against workers, the post-1870 systems of management enveloped workers in a "narrative of [employer] legitimation," a discourse that emphasized education, rationality, fairness, and employee welfare rather than overt oppression and violence. Implicit in the Jacques-Durepos definition of management is the assumption – common to critical/postmodernist scholars – that culture is of overriding importance in the workplace, as it is everywhere else. If one holds to this view, then it does not require a physical revolution to break the power of capitalism and management. Rather we can follow the advice of Nietzsche (1886/1989: 31, 27), who declared that through acts of will it is always possible to break the "invisible spell" of societal mores, or of Foucault (1966/1994: xx), who similarly believed that we can break free of the "fundamental codes" of "culture" through acts of will.

Superficially attractive, the Jacques-Durepos argument that the concept of management was a post-1870 American invention does not survive cursory examination. In the pages of Leo Tolstoy's *Anna Karenina*, for example, an aristocratic concern as to efficient estate management pervades almost every chapter, the central character noting how a neighbor "engaged a German expert from Moscow and paid him 500 roubles to investigate the management of their property, and found that they were losing 3000 roubles a year on farming" (1876/1978: 357). Similarly, in Ivan Turgenev's *Fathers and Sons*, written when serfdom was still the central institution in Russian society, the same concern with more efficient forms of management is once more evident, one of the central characters (Bazarov) complaining to his friend:

> I've seen your father's entire establishment . . . The cattle are poor, the horses, run-down. The buildings are in bad shape and the workers look like confirmed loafers . . . And the good little peasants are taking your father for all he's worth. (Turgenev 1862/2009: 34)

If we go even further back in time to the first surviving textbook on farm management, or indeed on any form of management, Cato the Elder's (160 BC/1913: 34) *De Agricultura*, we read the following advice directed to estate managers or overseers:

> He should strive to be expert in all kinds of work, and . . . often lend a hand. By doing so, he will better understand the point of view of his hands . . . First up in the morning, he should be the last to bed at night.

The Jacques-Durepos argument that late nineteenth-century American managers were the first to locate supervisory practices within a cultural context – one that emphasized fairness and worker welfare while simultaneously advancing employer interests – is also without merit. In Tolstoy's (1876/1978: 363) *Anna Karenina*, for example, we read how the lead character (Levin) observes that Russian farm management was only successful when it interested "labourers in the success of the work," appealing to peasants "not as abstract man power" but rather as Russians with peculiar national instincts and values. If we look to the British Industrial Revolution of the late eighteenth and nineteenth centuries, it is also evident that cultural concerns were at the forefront of management thinking as managers sought to implement new systems of wealth creation. As the noted English labor historian E. P. Thompson (1967) observed in an article entitled "Time, Work-discipline, and Industrial Capitalism," the precondition for the success of industrial capitalism rested on management's capacity to instill a sense of "time discipline" among workers. Whereas pre-industrial forms of work are largely individualistic, it making little difference exactly when a weaver or farmer starts work, industrial capitalism is collectivist in its work methods. Typically, a factory will not operate, and a plane will not fly, unless all workers are present at their designated time. In instilling this sense of "time discipline," Thompson (1963/1968: 451) – a lifelong socialist – believed that management was profoundly altering society for the better, noting how between 1760 and 1830 "The 'average' English working man became more disciplined, more subject to the productive tempo of the 'clock', more reserved and methodical, less violent." In early industrial Britain, Robert Owen was also hardly unique in establishing a model village community, New Lanark, for his workforce: a community in which Owen provided his workers with houses, shops, sporting facilities, and churches. Far from being rarities, Pollard (1965: 200) observed that "A list of large works providing their own attached cottage estates or a controlling share of them reads like a roll-call of the giants of the industrial revolution."

In considering the distinction between pre-modern and modern forms of management, assuming that there are in fact profound differences, we can ascertain that on this point both the Wren-Bedeian and the Jacques-Durepos definitions of management are found wanting. Jacques and Durepos solve the difficulty of delineating pre-modern forms of management from modern manifestations by a simple sleight of hand: they deny the existence of management prior to its supposed initiation in post-1870 America. Wren and Bedeian, by contrast, thoughtfully draw important distinctions between "tradition-bound" managerial systems and those that are underpinned by "market" methods, without differentiating how "market-focused" managerial systems have marked differences depending on whether or not they are part of a modern industrial society. In comparison, Pollard, in his most notable study, *The Genesis of Modern Management*, placed the distinction between "modern management" and earlier expressions at the forefront of his work. As noted earlier, Pollard (1965: 6–7) associated "modern management" with six unique characteristics which he argued were either partially or fully absent in earlier iterations of managerial practice: they deal with a free and mobile workforce, they need to possess an acute understanding of costs, they sell into a competitive market economy, they oversee capital-intensive forms of production, they need to constantly innovate, and they have attributes in terms of training and responsibilities that differentiate them from entrepreneurs on one side and the workplace supervisor on the other.

One of the factors that caused Pollard to argue for such a tight definition of "modern management" is found in the fact that he focused his research on a restricted managerial experience, the Industrial Revolution in Great Britain between 1760 and 1830, a period that he associated with a total transformation in the human condition. This narrow focus was, however, arguably a cause of weakness as well as strength. The dates chosen by Pollard for the Industrial Revolution (i.e., 1760 to 1830) correspond to the accession of George III and the death of George IV rather than to any profound technological or managerial change. As such they follow the convention established by Arnold Toynbee (1884/1894) in his posthumously published, *Lectures on the Industrial Revolution of the eighteenth century in England*. In attempting to compress the transformative managerial experience into an arbitrarily demarked 60 period, Pollard was required to understate both earlier and subsequent achievements. Thus, on the one hand, Pollard (1965: 156) argued that the period between 1760 and 1830 was unique in possessing a new class of professional managers, a cohort that he described as "one of the most dynamic social groups of their age, responsible for initiating many of its decisive changes." On the other hand, Pollard (1965: 127) correctly pointed to the fact that the growing number of factories in post-1760 Britain was fortunate in being able to draw on the large class of professional managers that already existed in the English coal industry. As Pollard well realized, his recognition of the importance of the coal industry to British managerial and industrial advancement brought him into conflict with the earlier work of the American economic historian, John Nef, who argued that the expansion of English coal production was seminal to what he claimed was an earlier "industrial revolution" in England between 1540 and 1640. Assuming immense size, and utilizing a level of capital intensity unknown elsewhere, the British coal industry by the 1630s was producing some two million tons of product per year, at a time "when the rest of the world combined," as Nef (1950/1963: 14) recorded, "probably produced less than one-fifth as much."

If Pollard paid insufficient heed to managerial advances prior to 1760, he even more obviously understated the developments that occurred after 1830, most particularly in transport, where steam-powered railroads and iron-hulled ships created a mass global market for the first time. "At once effect and cause," the English historian John Clapham (1926/1967: 425) noted, "railway development coincided with a development of metallurgy and mining quite without precedent." In every field of metal production, engineering, and mining, the needs of the railroads drove large-scale increases in production. In 1847–1848 alone, British railroads placed orders for 400,000 tons of iron running rails (Clapham 1926/1967: 428).

Locomotives and rolling stock also placed huge demands on iron smelters, as did a booming export trade. As most readers would be aware, Clapham's highlighting of the railroad "revolution" of the 1840s was one subsequently taken up by Chandler (1977: 79–80), who argued that not only were the railroads "the pioneers in the management of modern business enterprise"; they were also "essential to high-volume production and distribution – the hallmark of the large modern manufacturing or marketing enterprises."

One thing that is apparent if we look across the three main intellectual traditions within management history – the George-Wren-Greenwood-Bedeian tradition, the Pollardian perspective, and the critical or postmodernist theoretical framework – is that none of them utilizes the common textbook definition (i.e., planning, organizing, leading, controlling). Implicit or explicit in all three management history traditions is the viewpoint that what Pollard called "modern management," and Wren and Bedeian referred to as the "market method," is of comparatively recent origin. It is also true, however, that as a comparatively recent societal institution, "modern" management builds on earlier experiences and achievements, in terms of not only organizational skills and practices but also technology, language, culture, legal frameworks, urban and rural infrastructure, financial practices, and the like. Accordingly, in perusing the *Palgrave Handbook of Management History*, the reader needs to have constantly in the back of their minds the following question: How did a particular historical practice or intellectual approach contribute to the development of management, *and* how are such practices and approaches different from the experiences and intellectual premises of management in modern, liberal democratic societies?

In the two and a half years that I have been involved in the compilation and writing of the *Palgrave Handbook of Management History*, it was perhaps inevitable that my own ideas as to the defining characteristics of "modern" management would undergo amendment and modification. Although my ideas on management history remain essentially Pollardian, I nevertheless believed that Pollard erred in two principal ways. First, as this preceding discussion suggests, Pollard understated managerial achievements both before and after the British Industrial Revolution of 1760 to 1830. In doing so, he arguably paid too much attention to managerial achievements in manufacturing and insufficient heed to managerial gains in agriculture, mining, finance, and transport. Second, I believe that Pollard – as with most other management historians – understated the extent to which modern management and modern industrial society are both energy-intensive and metal-intensive. Given the modern concerns with global warming and climate change, the association of modern management with these attributes would appear obvious. However, I believe most of us underestimate the extent to which modern societies rely on both artificial forms of energy and smelted metals. As previously noted, in a pre-industrial society, there is typically only one source of energy for heating, cooking, the firing of bricks and glass, the processing of alcoholic spirits, food processing, etc. – wood. Prior to the eighteenth century, wood was also required for charcoal in the forging or casting of iron, a production attribute that severely restricted the production and use of iron. In the absence of iron, capital intensity was more or less impossible. Where metal was used in manufacture or agriculture, it was typically only applied on the cutting or working surfaces. The low level of metal usage that characterized pre-modern societies can be ascertained from the fact that between 1700 and 1710 the production of cast iron in Great Britain amounted to a miniscule 24,000 tons per year. Much of this production, moreover, would have been consumed by the military for use as cannon, muskets, iron cannon balls, and the like. A century later, by comparison, Britain's cast iron production amounted to more than ten times this amount. In 1837, more than a million tons was smelted – a 400-fold increase on early eighteenth-century output (Riden 1977). For the first time in the human experience, a hardened smelted metal had become a common rather than a rare commodity. This revolution in iron production – made possible due to changes in smelting techniques that allowed for the substitution of coal-derived coke in lieu of wood-derived wood – not only fundamentally altered the nature of management, heralding capital-intensive production methods in manufacturing, agriculture, and transport. It also allowed society to break out of the Malthusian trap which had previously restricted the economic and social possibilities of *every* society in the human experience.

Cross-References

► Certain Victory, Uncertain Time: The Limitations of Nineteenth-Century Management Thought
► Conflicting Visions: A Recap About the Debates Within Management History
► Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
► What Is Management?

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Part II

What Is Management and Management History?

What Is Management?

2

Bradley Bowden

Contents

Abstract

A ubiquitous feature of the modern world, management is also one of its more poorly understand institutions. Commonly, as evidenced in management textbooks, "management" is associated with four functions: planning, organizing, leading, and controlling. This section argues that this narrow view is in grievous error, encompassing as it does systems of work based on slavery and totalitarian control. Accordingly, we need to extend our definition to include five other characteristics. First, management – if it is properly fulfilling its functions – is attentive to costs, including the value it places on labor. Second, management involves maximizing "competitive advantage" built on firm and labor specialization. Third, output is directed toward competitive mass markets, markets that help sustain production based on specialization. Fourth, management can only properly function when it is supported by legal frameworks that guarantee contracts and protect property and individual rights. Finally, modern management is unlike that found in preindustrial societies based on hereditary privilege – and that found in totalitarian regimes – in that it deals with free labor vested with a genuine capacity for choose in deciding on both an occupation and an employer.

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Introduction

Management, as a discipline and an occupation, has become a ubiquitous feature of the modern world. Among college and university students, business administration and management is now the most commonly studied degree (Stockwell 2014; Creighton 2017: 1, 4). Even if we do not aspire to be a manager, or have a managerial role thrust upon us, the institutions and mores of management pervade almost every aspect of our lives. For those of us who work, a manager allocates the tasks that we perform and assesses our performance. If we have a gripe in terms of the service we or a family member experience at a school, hospital, or restaurant, we seek out the relevant manager, believing this person to be the one ultimately responsible for the service that caused our complaint. Managers are also held accountable for the ultimate success or failure of a business; an accountability that reflects Peter Drucker's (1963: 13) maxim in his classic study, *The Practice of Management*, that "the quality and performance of its managers is the only effective advantage an enterprise in a competitive economy can have." Evidence of the benefit of modern entrepreneurial and managerial performance is found in the comparative abundance that today surrounds even the world's developing economies. According to World Bank (2017) estimates, the percentage of the world's population experiencing extreme poverty fell from 42.2% to 10.7% between 1981 and 2013. Almost everywhere, the advance of modern industrialized economies has opened up unprecedented opportunities. In most Western societies, a female is more likely to complete a university degree than a male. In the developing world, literacy and attendance at school – rather than a life of toil – are now the norm for the vast majority of adolescents. As Antonio Guterres (2017: 23), the United Nation's Secretary-General, observed in his annual report in 2017, even in sub-Saharan Africa – historically a laggard – 80% of children were regularly attending school by 2015.

Despite its central placement in our lives, many assumptions about "management" do not survive elementary scrutiny. In the first instance, we need to ask ourselves: "What, if anything, is novel and revolutionary about modern management when compared to that found in earlier societies, where those overseeing economic activities had to engage in the same core tasks – planning, organizing, leading, and controlling – that today's textbooks identify as the universal characteristic of management?" (see, e.g., Bartol et al. 2005: 5). This is a fundamental question which typically receives confused or contradictory answers. In Morgen Witzel's (2012: 7) *A History of Management*, for example, we are told that management did "emerge" as a "discipline" in the nineteenth century. However, we are also told that most preindustrial societies boasted successful examples of "management," an outcome that leaves us none the wiser as to modern management's unique characteristics. Similar confusion is evident in the use of terms closely associated with management such as "entrepreneurship" and "capitalism." Murphy et al. (2006: 12, 16), for example, ascribe the massive expansion in per capita wealth that occurred throughout the world after 1800 to "the advent of entrepreneurship," only to then point to the "success of entrepreneurship in ancient and medieval times." Again, we are left none the wiser as to the transformative nature of modern management and entrepreneurship.

Attribution of modern management's distinctive character to its association with "capitalism" is also unconvincing. In their *Communist Manifesto*, Karl Marx and Frederick Engels (1848/1951: 37) praised capitalism for having created "during its rule of scarce 100 years. . .more massive and more colossal productive forces than have all preceding generations together." The problem with this assertion is that "capitalism" existed for centuries before the Industrial Revolution. As Fernand Braudel (1946/1975a: 319) demonstrated in *The Mediterranean and the Mediterranean World in the Age of Philip II*, by the sixteenth century, "commercial capitalism" – characterized by sophisticated finance and banking systems, domination of long-distance trade routes and control of luxury goods' markets – clearly existed in an "already modern and indisputably effective form." In carrying out their financial and commercial tasks, sixteenth-century capitalists clearly needed "managers" as much as any modern firm. If association with "capitalism" cannot by itself explain the transformative capacities of modern management so it is also the case that management's successes during the Industrial Revolution cannot be ascribed simply to technological innovations. In the early stages of the Industrial Revolution, when economic expansion was particularly pronounced, the availability of steam-powered machines was modest. In Britain's textile industry, the first to experience large-scale mechanization, initial technological advance was confined to spinning. Even in 1835, steam-powered weaving looms were – as Sidney Pollard (1965: 37) observed – "relatively rare," leaving "large weaving sheds full of hand looms."

In examining the distinguishing characteristics of modern management, we also need to consider not only how it differs from the forms of work oversight found in preindustrial societies but also how management in democratic societies (the United States, the Eurozone, the United Kingdom, Australia, Japan, etc.) is like and different to that found in undemocratic societies where government-imposed controls restrict the free movement of labor (i.e., the People's Republic of China, North Korea, etc.). For in his seminal text, *The Genesis of Modern Management*, Pollard (1965: 6) remarked that "the absence of legal enforcement of unfree work was not only one of the marked characteristics" of the new industrial societies that emerged in Western Europe and North America in the early nineteenth century; it was also "one of its most seminal ideas, underlying its ultimate power to create a more civilized society." During the epoch of the Industrial Revolution, there were, however, broad swathes of the industrializing world where various forms of unfree labor (i.e., the slave plantations of the Americas and the Russian estates worked with serfs) not only prevailed but actually grew in size and importance due to the demands of increasingly urbanized societies for cotton, sugar, grains, and tobacco. In the twentieth century, as well, use of various forms of unfree or semi-free labor continued to play important roles in a number of major economies (i.e., Nazi Germany, the Soviet Union). Now many of the problems of managers experienced by managers using various forms of unfree labor are comparable to those experienced by managers in democratic societies. Resource inputs need to be garnered. Production processes need to be planned, organized, and monitored. We can, nevertheless, understand that managers operating with unfree workforces are in a fundamentally different situation to that of a manager in a democratic society with a free labor force. For not only can labor choose to vacate their jobs in the latter situation, it is also the case that democracies place significant constraints on the exercise of managerial authority (i.e., restrictions on child employment, minimum wages, hours of work, etc.).

If there is confusion as to the unique and transformative features of modern management, it is also evident that management's very legitimacy as an occupation and intellectual discipline has been placed under constant question. Indeed, since the dawn of the Industrial Revolution, there has always been a body of opinion that regarded new forms of work and management with ill-disguised hostility. Believing that an embrace of science and material progress must have a deleterious effect on the human spirit, the French political philosopher, Jean-Jacques Rousseau (1763/1979: 118, 157, 176), observed in his classic study, *Emile*, that, "By dint of gathering machines around" us – machines that are increasingly "ingenious" – our senses become ever "cruder." In contrast, Rousseau believed, the noble "Canadian savage," living in the wilds of North America, "does not make a movement, not a step, without having beforehand envisaged the consequences. Thus, the more his body is exercised, the more his mind is enlightened: his strength and reason grow together." In the 1970s this emphasis on the degrading effects of modern work and management found new expression in the critiques of "labor process" theorists. As Harry Braverman (1974: 120–121), the dominant influence in this genre explained in a work subtitled *The Degradation of Work in the Twentieth Century*, "Modern management," having "come into being" with the "scientific management" of Frederick Taylor, worked to reduce individuals "to the level of general and undifferentiated labor power." More recently, the growing body of postmodernists have viewed the occupation and discipline of management through an even darker lens; a core component of what Michel Foucault (1980: 100, 102) described as a "disciplinary society" in which new forms of "governmentality" subject individuals to constant scrutiny. Echoing such themes, Miller and O'Leary declared in a 1987 study that management-related disciplines such as accounting were part of "a vast project of standardisation and normalisation of the lives of individuals" both "within the enterprise and outside it." In 2017, in their *A New History of Management*, a collection of Foucauldian postmodernists – Stephen Cummings et al. (2017: xii, 315) – argued in favor of "alternative management histories" in which management is transformed into a "liberalizing" social force, as if this is *not* the role that it has historically fulfilled over the last two centuries.

In exploring both the nature of modern management and the intellectual debates that its increasingly central placement in society has engendered, this opening section of this *Handbook* will argue three main points. First, this study stands in the tradition of J.H. Clapham (1930/1967), Pollard (1965), and Alfred Chandler (1977) in believing that modern management – as found in modern, market-based democracies – differs fundamentally from both earlier, preindustrial systems of management and that found in totalitarian and semi-totalitarian societies where respect for private property, individual rights, and the free movement of labor are not entrenched norms. In terms of economic performance, as Pollard (1965: 6–7) accurately observed, the system of management that first emerged in Britain's factories between 1760 and 1830 profoundly differed from that found in previous epochs in that they not only had to sell their goods at a "profit" but also "to relate them to costs and sell them competitively." Unlike "managers" from the preindustrial era, who had neither the inclination nor the means to understand their production costs – and who in the case of public works programs such as the construction of the pyramids were intent on production regardless of cost – Britain's factory managers faced unprecedented problems in estimating costs (and hence profits). Selling into new mass markets that were opened up by both the comparative cheapness of factory products and the extension of revolutionary new forms of internal communication (i.e., canals and railroads), managers faced challenges on many fronts. Logistics chains for raw materials (i.e., cotton) and foodstuffs were long and complex, often being intercontinental in scope. Increasingly, production and transport expenses were associated not with traditional variable costs (predominately wages) but rather with fixed capital charges (machinery, transport equipment, physical premises, etc.). In confronting such tasks, the managers of the Industrial Revolution were entering into virgin territory. As Pollard (1965: 215) notes in relation to the new managerial task of cost accounting, "there was no tradition, no body of doctrine, no literature worthy of the name."

If, we suggest, an understanding of costs is one thing that differentiates the "modern" manager from their preindustrial counterpart, another is found in the fact that the former typically operates within mass markets, markets that shape not only the conditions of sale but also the very nature of production. For, as Adam Smith (1776/1999: 121) observed in *The Wealth of Nations*, "When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment." Without a capacity to specialize, individuals and firms have a limited capacity to exploit their peculiar competitive advantage through the "division of labor" that Smith (1776/1999: 109) accurately identified with, "The greatest improvement in the productive powers of labor." Without firm specialization, there can also hardly be a global system of trade based upon nations exploiting their particular "competitive advantage" (i.e., Australia's vast plains and benign climate made it a preeminent wool producer). In *The Visible Hand*, Alfred Chandler (1977: 8, 76–82) claimed that the creation of mass markets and the consequent "managerial revolution" was preeminently an American phenomenon, a product of railroad expansion and the advent of telegraphic communication. In truth, it was the completion of Britain's canal system that created the world's first internal mass market. From 1761, when the completion of the Bridgewater Canal brought cheap coal supplies to the budding industrial center of Manchester, an ever growing network of canals crisscrossed England and the Scottish lowlands. In developing its canal system in the latter half of the eighteenth century, Britain was, moreover, merely exploiting the historical advantages that it obtained from not only being an island and a maritime power but also in having coastal access to plentiful coal supplies. Whereas in other European nations in 1800, the lack of readily available supplies of coal for heating and cooking still caused near insurmountable barriers to urban expansion, Britain's system of waterborne transportation allowed it to break these bonds.

Whereas what this study considers to be "modern management" is distinguished in part by mass markets and production systems where managers can trace and control their costs, it is also argued that a third fundamental characteristic is that it operates within a society that respects private property and individual rights, both within the workplace and without. The importance of such protections and rights was notably highlighted by Thomas Hobbes in his *Leviathan* in 1651. Without protection from arbitrary interference in their business and personal affairs, Hobbes (1651/2002: 62) observed, "industry" must inevitably be curtailed; and without industry life was invariably "solitary, poor, nasty, brutish, and short." Subsequently, in his *Two Treatises on Government*, John Locke (1680/1823: 202) extended this association of economic success and protection from arbitrary authority so as to include the formulation that legal frameworks had to be based on the "consent of the people" through their elected representatives; representatives who would act "as the fence to their properties." It is around such freedoms and protections that the whole intellectual and social fabric of modern management has been built; a social and economic tradition that holds true a set of fundamental principles: that private property is sacrosanct, that governments should foster education and protect freedom of expression, that economic success is built on innovation and individual endeavor, and that all established doctrine – religious and political – should be subject to critical scrutiny. The post-1760 process of industrialization, associated with increased national and firm specialization within a global market, can thus be seen as comprising not one but multiple managerial models, in which only one – associated with market economies that respect private property and individual rights while allowing free movement of capital and labor – has proven an enduring success.

Foundations

If we accept that "management" as it exists in Western societies is not an age-old phenomenon that exists wherever humans come together for an economic purpose but is instead a fundamentally modern construct, then the inevitable question becomes, "Why did modern systems of management associated with industrial capitalism first emerge in Britain in the decades either side of 1800?"

Despite the vast amount of research undertaken in economic and business history, there is no ready answer to the above question. For his part, Max Weber (1922/1927: 367) famously identified the advance of capitalism – and its associated systems of managerial organization – with the emergence of a "Protestant" and, more particularly, Calvinist "ethic," an ethic which not only placed value on the pursuit of wealth as "a God-given task" but which also excused a "ruthless exploitation" of workers in the pursuit of "eternal salvation." Although there is some merit in Weber's argument, we should nevertheless be wary of drawing a direct correlation between Protestantism/Calvinism and the "new capitalism." Whereas there were, no doubt, many nineteenth-century factory owners who took inspiration from their Calvinist faith, the same could be said of Protestant slave owners in the American South. More recently, Niall Ferguson (2011: 39), in his *Civilization: The West and the Rest*, suggests that Western economic and business success was a product of European political fragmentation. Devoid of any controlling center, it was, Ferguson suggests, Europe's divisions – rather than its shared commonalities – that opened the door to innovation and endeavor. What is left hanging by this explanation is why the Industrial Revolution and its associated managerial advances were in the first instance a product of the English-speaking world of the North Atlantic rather the Dutch-speaking Lowlands of continental Europe; a continental area associated not only with even higher levels of fragmentation but also longer traditions of international finance and trade. In seeking explanations for this latter quandary, Lars Magnusson (2009: 23), in his *Nation, State and the Industrial Revolution*: *The Visible Hand*, suggests that the Netherlands lost out to Britain because of its weaker state structures, a weakness that made it the ultimate loser given the "logic of violence" that characterized the late eighteenth century's history of trade wars and military confrontations. By this criterion, however, one would expect France to have at least rivaled Britain in the industrial stakes given that it was its arguable superior when it came to eighteenth-century violence and warfare. The years associated with the inauguration of the Industrial Revolution (1760–1790) were also years in which Britain, having won the Seven Years' War (1756–1763), suffered a period of comparative military weakness, a weakness that saw it not only temporarily lose its naval supremacy but also permanently forego control of its North American colonies south of the St Lawrence seaway.

Although there are no agreed answers as to the reasons behind the managerial and industrial revolutions of the eighteenth and nineteenth centuries, a number of factors nevertheless present themselves in explanation. First and foremost, although management as we understand it is a modern construct, it nevertheless draws of deep historical roots, roots that are located in legal and political domains as well as commercial realms. As Fernand Braudel (1982: 22) observed in his *Civilization and Capitalism*, the industrial capitalism of the nineteenth century built on traditions of "commercial capitalism" that were already well-established by the sixteenth century. Rather than being associated with a simple "market economy," Braudel (1946/1975a: 451) concluded that by 1500 European commercial capitalism occupied the upper echelons of an economic hierarchy, wherein the great banking and trading families controlled the highly profitable long-distant trade in luxury goods (spices, silks, dyes, and finished cloth). In the process they became masters of a suite of financial and commercial tools – bills of exchange, share-ownership, double-entry booking, long-term financial credit – without which the managerial and entrepreneurial practices of the Industrial Revolution would have been inconceivable. Similarly, without the development of long-term credit and banking the new centralized states that emerged during the fifteenth century in England, France, and above all Spain – which were built around dynastic monarchies but which increasingly employed professionalized bureaucracies – would also have been impossible. As Max Weber (1922/1978: 956–957) makes clear, these emergent state systems were utterly dependent upon a new type of bourgeoisie – financially literate and numerate in accounting – that was also capable to applying new principles of bureaucratic organization to the collection of taxes, the administer of justice, and the waging of wars. Initially a feature of the absolutist states that dominated the European landscape during the Century of Enlightenment (1680–1789), bureaucratic principles – which Weber (1922/1978: 973) believed owed their "technical superiority" to their reduction of organizational "friction and of material and personal costs" – also became a characteristic feature of large capitalist enterprises. As Weber (1922/1978: 681) also accurately observes, modern management and industrial capitalism would also have been impossible without an agreed system of legal, enforceable contracts, a legal system enforced more by accepted business mores than judicial prescription. "In an increasingly expanding market," Weber (1922/1978: 669) explained, "those who have market interests constitute the most important group. Their influence predominates in determining which legal transactions the law should regulate by means of power-granting norms."

Whereas the experiences garnered in long-distance commerce and in the administration of Europe's growing civil bureaucracies provided the managers who came of age in the Industrial Revolution with a wealth of technical skills upon which they could draw, it was the European Enlightenment that provided the wellsprings for critical inquiry and scientific innovation. In outlining the core principles of the Enlightenment in his *Critique of Pure Reason*, Immanuel Kant (1787/2007: 593) declared that there was no authority or issue that was "so sacred" that it should not be subject to "searching examination." The dictates of religion, the rule of kings, and the constitution of organizations and cities, none were to be spared. In England, David Hume (1739/1893: 287), a founder of British empiricism, similarly declared in his *Treatise on Human Nature* "that in the case of enormous tyranny and oppression, 'tis lawful to take up arms even against the supreme power, and that as government is a mere human invention for mutual advantage and security, it no longer imposes any obligation. . .when once it ceases to have that tendency." It was this willingness to expose every aspect of the human condition to scrutiny, rather than a commonality of answers, that makes the European Enlightenment the continuing foundation of our intellectual understandings. Even Michel Foucault (1984: 32), the preeminent influence in postmodernist thinking, in an article entitled "What is Enlightenment?," conceded that "modern philosophy is the philosophy that is attempting to answer" the same question/s as that "raised so imprudently two centuries ago." Although declaring he was neither "'for' nor 'against' the Enlightenment" – and the path of scientific and material progress that it heralded – Foucault (1984: 42–43) nevertheless conceded "that as an enterprise for linking the progress of truth and the history of liberty in a bond of direct relation, it [the Enlightenment] formulated a philosophical question that remains for us to consider." Without the traditions of critical inquiry that the Enlightenment fostered, the adaptability and problem-solving capacity that have characterized management since the late eighteenth century would have been improbable. For as Harbison and Myers (1959: 22) once observed, "the most complicated organization to manage is the sizeable industrial establishment. Here technical know-how, marketing ability, financial and administrative skills are all required."

The Enlightenment emphasis on science, critical inquiry, and innovation found its most obvious expression in the spread of new steam-powered technologies. First employed in the Durham coal industry in 1715 to pump water from the region's ever-deepening mine shafts, the size and complexity of the early Newcomen engines suggested that this novelty was of limited application. By 1800, however, the invention of more compact, high-pressure Bolton and Watt and – more particularly – Trevithick engines allowed steam power to displace water-powered Arkwright machines in Britain's textile districts. As steam power became entrenched in textile manufacture, productivity soared as output increasingly reflected the growing importance of fixed capital. Whereas in 1800 it is estimated that there was on average £10 of fixed capital for every textile worker, by 1830 there was on average £100 of plant and equipment per worker. As productivity and capital intensity soared, a series of profound changes occurred in the nature of work. In terms of employee numbers, workplaces assumed unprecedented size. In 1816, when Robert Owen was implementing his private model of "welfare capitalism," his New Lanark mill employed 1600 workers. By the 1830s, Manchester alone boasted seven mills with more than a 1000 factory hands. Another 76 Manchester mills provided work for more than 500 hands (Pollard 1965: 92–93).

Managerial emphasis on capital intensity and productivity also transformed the *type* of worker that textile mills and other factories employed. Initially employers had scoured the orphanages and poor houses for children to staff their mills, having found that adults were reluctant to subject themselves to the discipline that factory life entailed. By 1850, however, as Hugh Cunningham (2011: 68) observes, management was "seeing the advantages in an intensive rather than an extensive use of labour. . .In this kind of environment children were more of a hindrance than a help." Rather than seeking cheap labor, managers instead sought out literate, skilled workers. As a result the demand for child labor plummeted. By 1851, only 30% of English and Welsh children worked. Of those who did, only 15.4% of males and 24.1% of females were found in factories. Not only was a majority spared childhood work for the first time in human history, children were also increasingly excused the premature death rate that had long appeared an essential condition of human existence. As a result, 40% of the English population was under 15 years of age by 1851 (Kirby 2011: 122–124). The fact that paid labor was, as a result of mechanization, less associated with physical strength also provided unprecedented opportunities for women. As the labor historian, E.P. Thompson (1963: 452–453) noted in *The Making of the English Working Class*, the "abundant opportunities for female employment. . .gave women the status of wage-earners." Among the laboring population, for the first time, the "spinster," "the widow," and "the unmarried mother" had the opportunity to free themselves from reliance on male relatives and/or the parish poorhouse. Increasingly, factory work was also associated with high wages and a life of modest comfort. As Frederick Engels (1892/1951: 376), Karl Marx's long-term colleague and patron, recorded in reflecting upon the changes that had occurred to the employment of skilled workers over the course of the latter half of the nineteenth century, "That their condition has remarkably improved since 1848 there can be no doubt. . .they have succeed in enforcing for themselves a relatively comfortable position, and they accept it as final."

If an emphasis on science and innovation, inspired by Enlightenment traditions of critical inquiry, transformed the nature of work, it was also the case that the initiation of the Industrial Revolution in Britain reflected the presence of certain material prerequisites. The first of these was foodstuffs as the growth of large urban populations placed unprecedented demands on local agriculture. Significantly, in the open decades of the seventeenth century, England was unusual in that – as a result of the so-called enclosure movement in which common and waste land was fenced and used for large-scale commercial farming – its agriculture sector was far more productive than any other European society. In visiting England during the 1720s and in writing home about his experiences there, the French philosopher, Voltaire (1726/2002: 33), was astounded by the progressive state of English farming, observing that, "The feet of the peasants" were "not bruised by wooden shoes; they eat white bread." Whereas other Western European societies, most particularly France, struggled to avoid famine, Britain in 1750 was a net wheat exporter (Deane and Habakkuk 1963: 69). In the eighteenth and early nineteenth centuries, Britain – like the other industrializing societies of Western Europe – could also draw if necessary on grain, timber, and flax from the east Baltic littoral (Poland, Lithuania, Latvia, and Estonia); a process associated with the enserfment of a once largely independent peasantry in Eastern Europe as vast commercialized landed estates became the norm. As the nineteenth century progressed, however, it was only the foodstuffs (most particularly wheat) of the New World that made continued industrialization and urbanization possible. Effectively, with cheaper seaborne transport costs due to larger, steam-powered ships, the agricultural capacity of the United States, Canada, Argentina, South Africa, Australia, and New Zealand was annexed for the use of the industrialized districts of the North Atlantic. This proved a great boon for both capital and labor, lowering input costs and reducing the cost of living for industrial workers. It was, however, as O'Rourke (1997) observed in an article entitled "The European Grain Invasion," an unmitigated disaster for European landholders as the price differential between North American and British grain receipts fell to virtually nothing, an outcome that meant that an acre of wheat-growing land in England had no more productive value than an acre of farmland in Minnesota or Illinois.

Although Britain had an agricultural advantage over its European rivals during the eighteenth century, this in itself cannot explain why the United Kingdom was the industrial pioneer given that other Western European nations could also access imported foodstuffs with comparative ease. Rather, Britain's advantage lay in overcoming an even more difficult obstacle to urban and industrial expansion: access to energy. Historically, European societies – as with those in other parts in Eurasia and Africa – had relied on wood for heating and cooking, as well as for the charcoal that was an essential ingredient in steelmaking. But as forests were depleted, only Britain was able to quickly draw on a cheap, readily available substitute: the coal deposits of the Tyne and Wear valleys. In London, as in other British seaports, seaborne coal became "a commodity only less indispensable" for existence "than bread itself" (Nef 1932: 103). As Nef (1932: 103) noted, "There was no parallel on the Continent for the remarkable growth in coal mining which occurred in Britain." By the early eighteenth century, Nef continued (1932: 322), the "entire production of the rest of the world did not perhaps amount to much more than a sixth of that of Great Britain." Whereas in the first half of the seventeenth century the economic advantage provided by cheap "sea coals" was largely restricted to coastal ports, in the latter half of the century, the extension of canals also provided benefit to the industrializing centers of the English Midlands (Manchester, Birmingham, Leeds, etc.). The scale of this benefit can be ascertained by the load a horse could pull. If pulling a wagon – on a good, macadamized road – it is estimated that a horse could transport two tons at most. By comparison, it is estimated (Deane and Habakkuk 1963: 72) that the same horse could pull 50 tons when the load was placed in a canal barge, a result that caused the price of coal in Manchester to plummet by more than 75% when the Bridgewater Canal was opened in 1761.

Underestimation of the importance of waterborne transport – most particularly for coal but also for the transport of other inputs (cotton, grains, steel) as well as finished goods – has caused some erstwhile management historians to make gross historical errors. Notable evidence of this is found in *A New History of Management*, where it is asserted (Cummings et al. 2017: 61) that when Adam Smith wrote *The Wealth of Nations* (i.e., 1776)

> . . .industrialism was as far away as the iPad from the first automobile. Rail travel was 100 years in the future. Smith's own examples describe how transporting goods from London to Edinburgh took 6 week for the return trip in a 'broad-wheeled wagon.'

Leaving aside the fact that in 1776 the first British passenger railroad (the Stockton and Darlington, opened 1825) was less than 50 years away – rather than a 100 – the underlying presumptions of Cummings and co. display ignorance as to the material preconditions for industrial takeoff. For if, as Cummings et al. assert, British communications were in fact dependent upon the "broad-wheeled wagon," then the Industrial Revolution would have been impossible for a host of reasons. There could have been no mass markets, forcing producers to restrict their output – as they historically done – to local needs. In the absence of a substantial market, labor specialization would have been severely restricted. Resource inputs, where available, would have remained – as they historically had – prohibitively expensive. Urban communities, forced to rely – as they historically had – on local sources of fuel, would have remained small and scattered. The fact that the Industrial Revolution did proceed reflects the fact that the constraints imposed by the speed of the "broad-wheeled wagon" were overcome through a combination of sea transport, canal barges, and tramways.

Britain's canals and seaborne coal trade provided not only many of the material preconditions for the post-1750 managerial and industrial revolutions, they also provided key organizational underpinnings. Nef (1932: 322), in particular, has made a forceful case that Britain's northern coalfields "provided a fertile field for the growth of capitalistic forms of industrial organization." In terms of business organization, the inherently speculative nature of coal mining (i.e., one can never know the extent of any particular seam) created complex systems of share-ownership and interlocking directorships. The need to coordinate production, shipping, and sales provided experience in dealing with long-distance logistics and supply chains. The size of coal mining workforces, which could see more than a 100 engaged in a particular pit, also forced employers and managers to become expert in industrial relations, an expertise that was reflected in the formation of long-lived "vends" (cartels) directed toward the control of both wages and prices. The solid, compact colliers that hauled coal along Britain's coastal sea routes also provided the backbone for Britain's merchant fleet and, through this, its naval supremacy. It was also a converted collier, the *Endeavour*, captained by a Whitby seafarer (James Cook) who had learned his trade shipping Durham's coal, which brought the first Europeans to the Australian east coast, thereby setting in train a series of events that led to British settlement in the Antipodes.

As the growth of commerce and industry from the sixteenth century created new classes of entrepreneurs, financers, and traders who obtained their wealth and property away from the land and agriculture, so there also grew demands for political representation and freedom from the arbitrary rule of kings and aristocrats. In addition to systems of "protections" for property, individual rights, and expression, the growth of Western industrial capitalism also hinged on what Weber (1922/1978: 668) referred to as a system of legal "privilege" that gave force to individual "autonomy," whereby the actions of individuals and groups were both protected and enforced by law. Thus, unlike the situation that prevailed in preindustrial societies – and which still prevails in undemocratic societies – the scope for individual and group action in democratic, market-based economies is not primarily determined by hereditary privilege or by entrenched rights for privileged groups (i.e., the Chinese Communist party and its functionaries). Rather, as Weber (1922/1978: 669) concluded, it is primarily "contractual" in nature.

In the new industrial capitalism that emerged after 1750, the legal and economic relationship between master and servant proved particularly problematic, both within the workplace and without. Whereas historically the gulf between employer and employee had been slight – with much of a society's output coming from the household economy – in post-1750 industrializing economies, the size of workforces in manufacturing, mining, and, subsequently, the railroads confronted managers with new problems in relation to recruitment, supervision, motivation, and employee involvement. Governments were also forced to redefine the relationships that they had with their citizens, extending legal protections to embrace conditions of workplace employment. First evidenced in the British *Factory Act 1833* – which both restricted the employment of children and created the world's first professional factory inspectorate – the state's protective framework was gradually extended to embrace adult employment, a minimum wage, hours of work, and bargaining rights. Although the initial factory laws were inspired by abhorrence at many of the worst features of the Industrial Revolution (child labor, long hours, lack of sanitation, high injury rates), they also reflected the *philosophic* appreciation that employees have rights and interests that are separate to those of the employer for whom they work. As the early twentieth-century management theorist, Chester Barnard (1938: 88, 93), recognized, "Strictly speaking" organizational objectives have "no meaning for the individual." Instead, most individuals only find work a positive experience when "the benefits it confers" exceed job "burdens." Organizational "efficiency," therefore, was correlated with a business's "capacity to offer inducements in sufficient quantity to maintain the equilibrium of the system."

With the destruction of long-established handicraft industries due to the steady advance of mechanization, large-scale unemployment and underemployment existed alongside serious labor shortages. A shortage of coal miners, and of skilled metal workers capable of building and maintaining the new industrial machinery, provided the most severe bottlenecks. The task of overcoming such labor problems extended well beyond the factory gates. In the slums of London, Liverpool, and Manchester, the concentrations of poorly paid workers provided not just breeding grounds for disease but also a population that was dissatisfied both industrially and politically. Significantly, solution to the social and industrial problems that the Industrial Revolution created in Britain during the first half of the nineteenth century came as much from within the new urban working class itself as from the state. In church "Sunday schools," workers taught themselves and their children how to read. Religious education, most particularly that associated with the non-Conformist sects (Methodists, Presbyterians, Baptists), also emphasized values of sobriety, self-improvement, and discipline that equipped their members for material success. At a time when social security was nonexistent, membership of friendly and mutual societies not only provided protection from sickness and injury, they also opened up the possibility of home ownership. Church and friendly society membership also trained workers in managing budgets, conducting meetings, public speaking, and organizing (Thompson 1963: 456–458). Although authorities long feared the revolutionary currents evident among industrial workers, in truth, as the Sidney Webb and Beatrice Webb (1920: 201) observed, by the 1840s most union leaders accepted the economic logic of capitalism. Far from opposing material progress, they sought instead to enhance their members' contribution to economic growth by fostering craft skills and improving workplace conditions. While the female franchise was not obtained in Britain until the twentieth century, working class demands saw a gradual extension of male voting rights through the Reform Bills of 1832, 1867, and 1884. By the latter date, universal male franchise was established as a permanent reality.

As British society, both within the workplace and without, reflected the informed participation of an increasingly literate and education workforce, so it was that the benefits of industrial capitalism were extended in a host of areas: improved civic services, free education, improved health facilities, old age pensions, and the like. By the closing decades of the nineteenth century, even the most vocal critics of industrializing capitalism were conceding the positive transformations that had occurred. In reflecting upon the Britain of 1892 and that which he described in 1844 in his *Condition of the Working-Class in England*, Frederick Engels (1892/1951: 370–371) admitted that, "the most crying abuses. . .have either disappeared or have been made less conspicuous. Drainage has been introduced or improved, wide avenues have been opened out. . .England has thus outgrown the juvenile state of capitalist exploitation described by me."

Given the dark images that the Industrial Revolution tends to conjure up – Satanic mills, child labor, urban slums, exploitation – it is easy to overlook the fundamentally progressive and transformative role that management played at this critical moment in human history. That people suffered during the Industrial Revolution is regrettable but is in itself hardly newsworthy. As Braudel (1946/1975b: 725) observed, throughout history the "price of progress" was "social oppression. Only the poor gained nothing, could hope for nothing." This was as true of Confucian China as it was of ancient Egypt. The economic world forged through the Industrial Revolution – in Britain in the first instance – differed in creating a workforce and a society in which the poor were notable beneficiaries. In workplaces where employees were entrusted with increasingly expensive machines, literacy and education became the new norm. Whereas at the dawn of the Industrial Revolution the agricultural and town laborer was mute when it came to politics, the economic and social order that emerged during the Industrial Revolution thrived on the active participation of its members, both as employees and citizens. Yes, the new managerial order that gave effect to the Industrial Revolution was based on competition, the pursuit of self-interest, and private property. Yes, social and income inequality were to remain its necessary hallmarks, John Maynard Keynes (1936/1973: 379) conceding "that there is social and psychological justification for significant inequalities. . .There are valuable activities which require the motive of money-making." What nevertheless made it such an enduring success was the benefits that it conferred on the "servants, laborers, and workmen of different kinds" who, as Adam Smith (1776/1999: 78–79) accurately noted, "make up the greater part of every great political society." For, Smith (1776/1999: 78–79) continued, "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. . .what improves the circumstances of the greater part can never be regarded as an inconveniency of the whole."

Different Paths

If the system of "management" that emerged in conjunction with the "Industrial Revolution" differed in virtually every way from that which had characterized early systems of "management" – concerned as it was with managing capital intensive factories and mines; with accurately tracing its internal costs; with recruiting and overseeing workers who were literate, skilled and active political citizens; with the direction of its output toward competitive mass markets – we should nevertheless *not* conclude that this model of management was a universal attribute of all industrializing and modernizing societies. As we have noted above, the urbanization of Western Europe – which was associated with the retreat of feudalism, social diversification, and an expansion of political rights – was initially dependent upon grain from the Baltic and Eastern Europe, a process associated in Eastern Europe with the growth of landed estates and the reduction a hitherto largely independent peasantry to a condition of serfdom. With the opening up of the New World to European settlement, a similar process was replicated on a larger and more sinister scale. For while the growing of grains (most particularly wheat) was well-suited to the efforts of the sturdy, yeomen farmers who became the popular backbone of the North American democracies in the United States and Canada, the production of coffee, sugar, tobacco,, and cotton fueled a massive expansion in global slavery during the eighteenth and early nineteenth centuries. Even in those places in which it was grown in the Old World (Egypt, Algeria, Spain, Madeira), the growing of cotton and more particularly sugar was typically associated with large-scale plantations and workforces ground into the dirt by back-breaking work and poverty. For, as Braudel (1946/1975a: 155) noted, plantation economies associated with sugar growing – and subsequently cotton, tobacco, and coffee – represented highly specialized forms of agriculture that (prior to the twentieth century) were seldom found alongside either subsistence agriculture or family-based farming. Given that agricultural workforces cannot be sustained by sugar, coffee, tobacco, or cotton – and that these commodities attracted higher returns than grains – plantation owners had to import food for their workers in addition to exporting their produce, typically to distant markets. Such requirements, when combined the needs for fixed investments in milling equipment and plantation barracks, made New World plantations the preserve of commercially oriented ventures that were beyond the means of the ordinary settler of European ancestry.

With profit maximization their goal, and the sustenance of their workforces their principal costs, slavery proved to be the lifeblood of the New World plantations. Significantly, its progress advanced hand-in-glove with the managerial and economic advances in its British heartland. Prior to 1750, Hugh Thomas (1997: 318) estimates in his massive tome on the Atlantic slave trade, some 85% of British textile exports were shipped to West Africa where they were exchanged for slaves; slaves who were then shipped to the Americas to grow cotton and sugar. Ships then completed their great triangular oceanic route by returning to their home port loaded with plantation produce. In many cases, Thomas (1997: 540–541) reveals, the same merchants boasted ownership of British textile mills, slave ships, and slave-worked plantations. British ships also carried slaves for other nations, Thomas (1997: 264) estimating that in the decade between 1740 and 1750 British ships carried over 200,000 slaves, far more than any other nation. Nor was it the case that slavery's role diminished as the eighteenth century progressed. Instead, with Eli Whitney's discovery of the cotton gin in 1793 removing a major obstacle to supply, slavery in the southern states of the United States experienced expansion as American cotton exports rose 25-fold between 1792 and 1820. Within the British Empire itself, the slave population grew by more than a quarter between 1790 and 1806, causing the

British abolitionist, William Wilberforce, to bemoan the fact that slavery was being "more fondly nourished than before. . .fattened with fuller meals of misery and murder" (cited Thomas 1997: 540–541).

The global experiences that gave rise to the modern world – a world characterized by integrated markets, labor and capital specialization, capitalism, and the steady advance of democracy and civic rights in the industrializing districts on either side of the North Atlantic – indicate that the dynamic that drove the Industrial Revolution produced not one model of management and work but several. For if we think about the management of a slave plantation in the Americas in the early decades of the nineteenth century, it is evident that it was as much a part of the global system of firm specialization and market exchanges as a textile mill in Lancashire. If it survived for any length of time, we can also assume that its owners and managers operated their plantation on rational, bureaucratic principles, paying attention to their internal costs as well as to changes in market demand for their produce. Despite such shared commonalities, we can nevertheless also understand that the managerial model on which a slave plantation in the Americas, or a Russian landed estate worked with serfs, was not only profoundly different to one based on free labor, it was also – in the medium to long-term – incompatible with it. For managers, a reliance on slavery leads to an inevitable productivity trap. Whereas, as we noted above, the amount of fixed capital associated with the average British textile worker rose tenfold between 1800 and 1830, such advances were not possible with workforces that were not literate, skilled, and motivated. In terms of the relationships between governments and citizens, the forms of legal protections and contractual arrangements that rapidly became the norm in industrializing states (protective factory acts, sanitation laws, minimum hours, collective bargaining through trade unions) were also incompatible with systems of unfree labor (serfdom, slavery, etc.). Economies based on unfree labor also denied themselves the social cohesion, dynamism, and innovation that were to be found in societies such as late nineteenth-century Britain where, as noted above, even Engels was forced to concede that "the most crying abuses" had largely disappeared.

If we disqualify – as this study does – the managerial systems associated with Russian serfdom and New World slavery from inclusion within the ranks of "modern management," then we must logically also exclude those societies in today's world that are also characterized by large-scale use of unfree or partially free labor. Prominent among this latter category in the current global economy is the People's Republic of China. As a report commissioned for the World Trade Organization, undertaken by the International Trade Union Confederation (ITUC 2010: 1), reveals, China has never ratified four core International Labor Organization standards relating to forced labor and child labor. According to the ITUC report, "forced labor" is still a common feature of China's "commercial enterprises." China is also characterized by "the worst forms of child labor," often undertaken under "forced conditions." Under the Chinese "hukou" (household registration) system, the ITUC (2010: 9–10) report also notes, Chinese workers are legally denied freedom of movement. Those working in cities in breach of their registration – a group estimated to comprise 35% of China's urban workforce (130 million people) in 2010 – suffer from what the ITUC refers to as, "Institutionalized discrimination." "Many employers," the ITUC (2010: 14) concluded, "withheld employees' payments until the contract's expiration," a condition that the ITUC believes places workers in circumstances akin to de facto "forced labor." "Trafficking in human beings" the ITUC (2010: 15) also found to be "a serious problem" with the Chinese government impeding the work of nongovernmental agencies who seek to mitigate both the extent and the effects of human trafficking.

The lesson of history over the last two centuries is that societies that deny their citizens not only free movement of capital and labor but also individual freedom of expression have ultimately proved economic as well as political failures. And while the People's Republic of China may prove an exception to this rule, the author very much doubts it. For where a society has in the past relied to a significant extent on unfree or partially free labor – labor denied opportunities for freedom of movement and unprotected by enforceable contracts and laws that guarantee it an income regarded by a worker's peers as fair and just – this has resulted in one of two outcomes: either the abolition from within of that part of the economy characterized by unfree labor, as occurred with the abolition of slavery in the British Empire and the United States in 1834 and 1865, respectively, and with the ending of Russian serfdom in 1861, or total internal collapse (as occurred in the Soviet Union in 1991).

In the final analysis, therefore, systems of management cannot be understood apart from the societies that they do so much to shape. The system of management that emerged in association with the Industrial Revolution has prospered in large part because it has been associated with individual freedom, respect for private property, free labor forces, the regulation of business and employment through an agreed system of contracts and laws, and last, but not least, political democracy. Unsurprisingly, societies demarked by such characteristics have also proven their worth through a record of innovation that has fueled increased productivity and economic advance. That this managerial model has endured, while others have not, speaks volumes.

Conclusion

In his *Practice of Management*, Peter Drucker (1963: 17), one of the most thoughtful as well as long-lived management thinkers of the twentieth century, lamented the fact that, "Despite its critical importance. . .management is the least known and the least understood of our basic institutions." If we are to talk about "management" and "management history," therefore, we need to define with some care what we mean by the term "management." It will certainly not suffice to define management – as text books are wont to do – as involving the coordination of four functions: planning, organizing, leading, and controlling. For if we accept this definition, as many have, this is little to differentiate the job of a manager employed on a current construction project in Sydney, London, or New York from the overseers who spent their working day building the pyramids of ancient Egypt or China's Great Wall. Nor is there much to distinguish the modern construction manager from their counterparts in Stalinist Russia who were also responsible for notable engineering feats (the Dnieper hydroelectric dams, the White Sea canal, the Moscow subway system, the Moscow-Volga Waterway). In all cases, after all, planning has/had to occur. Labor has/had to be recruited and kept on task. Deadlines met and achieved within available resources. Despite such similarities, one nevertheless makes the gravest of grave errors in confusing management as it has existed in democratic societies since the Industrial Revolution with that found in either preindustrial or modern totalitarian societies; societies in which coercion of the unfree or semi-free was seminal to the obtainment of economic objectives. In describing, for example, the systems of work and management involved in building the Moscow-Volga Waterway – an engineering marvel that permanently protected Moscow from transport-induced shortages – Schlogel (2008/2012: 286) recounts how:

> The commandants of the individual sectors competed with one another to increase productivity, i.e., to exploit slave labour...Many prisoners, exhausted by the work, fell into the concrete foundations and were buried in them; many terminally sick workers were buried alive because hospital beds had to be kept free for those still capable of work.

If we are to differentiate "modern management" as found in industrialized, democratic societies from other historical forms of task completion, it is evident that we must look beyond the standard textbook definition. In summary, "modern management" can be differentiated by five characteristics. First it is attentive to its costs, both in terms of its expenditures on materials and – more importantly – on the value it places on labor. Yes, efficiency and productivity necessarily depend on maximizing outputs per unit of labor. But this is obtained by increasing the outputs through the use of fixed capital, effective organization, and innovation: not by devaluing the price of labor. Second, modern management is based on establishing its unique competitive advantage, an advantage that comes through firm and labor specialization. A third factor, closely connected with the second, is the direction of output – whether in the form of goods or services – toward mass markets and a system of free exchange; for only mass markets can sustain production units based on specialization. The fourth prerequisite for modern systems of management is associated with legal frameworks that sanction negotiated contracts of exchange and employment while also protecting private property and individual rights. Finally, modern management is built on the free movement of capital and labor, on the right of individuals to choose whether they wish to work for themselves or on behalf of another party for hire and reward. If we are to extend our definition, then, from "management" to "management history," then the latter is not a general history of work throughout the ages. Rather, it must be an account of the emergence of the particular *type* of management – associated with the above characteristics – and of its fundamentally progressive role in human advance over the last 270 years.

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Debates Within Management History

3

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to examine the various debates within management history. Although these debates touch upon epistemology and method, they are not the focus of the chapter. Rather, the chapter focuses on various debates about context, slavery, Taylor, Mayo, the prime movers, and identification of management thinkers. I recap the events, offer explanations, and attempt to develop further research queries.

Keywords

Historical context · Slavery · Taylor · Mayo

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Introduction

In addition to debates about history, namely, its method assumptions and other macro issues, there are issues regarding smaller-scale problems, such as the role of Taylorism and the benefits of the Hawthorne studies. The previous chapter was informed by such debates, as different schools of thought have different traditions and levels of understanding over these issues. For example, Marxist and critical studies scholars have vastly different perceptions of the Hawthorne studies than do more mainstream historians. Likewise, some scholars view Henry Ford as a hero; others view him as a tyrant. Of course, these debates have been ongoing since the beginning of management as an academic discipline. There is little difference in the shape, discourse, or even criticisms of various management concepts that have not already been mentioned. For example, as I (Muldoon 2012) demonstrated in articles on Hawthorne criticisms, the same criticisms mentioned today (originality, lack of theory, design, and worker manipulation) are the same of yesteryear.

Yet, these debates enliven and enrich the profession. They force us to ask important questions and use different sources to determine the past as it was. For example, the work on the Hawthorne studies and originality forced scholars to ask such questions as what made the Hawthorne studies distinct over it competitors. Do we have a political bias in our profession? Are our political biases different than those in other professions? These questions demonstrate the newness of the profession and the lack of an overriding paradigm. Thus, they demonstrate the limits of the field. More precisely, they demonstrate the real and seemingly insurmountable divides that exist within the field.

That being said, there is good and bad history – regardless of the source, political bias, or worldview. The purpose of this chapter is to delve into these debates so as to either repeat the debate, answer the debate, change the terms of the debate, or spur more debate. The first section is on the role of context, especially how that context is related to various political debates and movements that intersect with management. The second section is on the question of what role should slavery have in management thought. The third section and fourth section are a recap of the debate on Taylor and Mayo. The fifth section of the paper is on the question of who are management thinkers. The final section is on prime movers.

Context

Recently scholars have been extending the boundaries of management thought by considering the questions related to the context in which various studies have occurred (e.g., Hassard 2012). I have found this work very interesting and well done. But more work is needed on this issue, especially since scholars do not consider all issues regarding particular time periods. We need to consider the social, economic, academic, and political context more deeply within which management has been developed. This would enable scholars to view why certain theories developed and other theories declined. However, there is a word of caution – to truly understand the context of the periods in which management thought developed, we need to immerse ourselves in that time period (Bailyn 2015 for a perspective of a true past master).

One issue that has been generally ignored is the academic context. The university after the Second World War was vastly different from the one before the war (Homans 1984; Schlesinger 2000). However, I believe scholars treat it as a constant. The period after the war was one of growth, government and corporate funding, and increased enrollments (Steinmetz 2007). These changes made major differences in how management was developed. For instance, Foster et al. (2014b) point out that the Hawthorne studies did not receive attention in the textbook press until after the war. While I agree with this finding, it ignores the academic context in which the studies occurred. American universities did not hire young faculty due to a lack of funding during the Depression – even Harvard (Homans 1984). Second, both the Depression and the War limited the amount of journal possible due to money issues, as well as the amount of books. There were only a handful of journals in sociology before the war. Third, the problems of labor after the war are ignored – making additional ways of dealing with labor needed. Fourth, both sociology, management, and psychology were changing in different ways – becoming more scientific and less of an advocacy.

Scholars have been attempting to attach management thought to a wide variety of political and social contexts (e.g., Cummings et al. 2017). One of those contexts has been the Progressive Era in the United States. While some work has been done in this area (including this book series), more work is needed. Historians tend to downplay management in their works on the Progressive Era, but I imagine that the same process that led to psychology and sociology being formed played a role in transforming management, namely, the transformation of knowledge that allowed scholars to recognize government intervention, private property, and the difference between the individual and the group (Kloppenberg 1986).

However, an admonishment to scholars, when writing about the Progressive Era, scholars should be aware of the complexities of the period. There were so many types of progressivism and such rigorous debate that treating as progressivism one cohesive movement would be difficult to do (Filene 1970). Cummings et al. did not do so – conflating the efficiency movement with conservation, when it was far more comprehensive (Muldoon 2019). The efficiency movement is such a large, international movement that both John Rockefeller and Vladimir Lenin were both members. One particular issue is that the Progressive Era was less about restraining markets and more than opening them up (McCormick 1981). What drove Progressives was the idea that business corrupted politics and that we should have government regulation to prevent that from occurring. In addition, businessmen were as important to the reform movement as other experts (Wiebe 1962). This was not the case in Great Britain, where political and intellectual leaders believed management needed to get its house in order (Searle 1971). One important point is that it would be wrong to assume that the United States was a free market system. It had both a welfare state (Skocpol 1992) and a significant degree of economic regulation, but on the state level, rather than federal (McCormick 1981).

Scholars are attempting to get a handle on the New Deal and its impact on management thought. Mills and his coauthors (2014, 2015, 2017) have demonstrated the importance of the New Deal for organizational behavior and management. This is somewhat ironic because many of the postmodernists dislike artificial labels and the New Deal is an artificial label since it had no coherent thought pattern (Brinkley 1995). I would similarly state that one of the problematic issues with Wren and Bedeian (2018) is that they do not denote enough attention to the New Deal as they should, which I regard as a limitation in their work.

A word of caution when considering the New Deal: People need to pay close attention to the phase of the New Deal because it was so complex. We must understand the complexities of it, since it is wrapped myth. Many scholars believe the New Deal to be Keynesian or antibusiness; it was both and neither. It depends on the phase of the New Deal. The first New Deal enjoyed the backing of big business (Schlesinger 1959, 1960). The first New Deal's origin was from associationism, the attempt of big business to avoid price competition by creating voluntary cartels (Gordon 1992). The first New Deal's major accomplishment, the National Recovery Administration, had its basis in the Swope Plan, the brainchild of the CEO of General Electric (Schlesinger 1958, 1959; Kennedy 1999). Notably, the Du Ponts supported Roosevelt because they believed the repeal of prohibition and the restoration of the alcohol tax would lead to a reduction of the corporate tax rate (Gordon 1992). It was not until the Second New Deal, and the 1936 election, that FDR took an adverse position to entrenched privilege. Some of the most ardent business opponents of FDR had originally been his supporters.

In terms of Keynesian economics, the picture is even more complex. In fact, one of the first major criticisms of the New Deal was James McGregor Burns, who argued that the New Deal needed more Keynesianism and that its limitations were due to a lack of government spending. Scholars have noted that Roosevelt and Keynes did not admire or even understand each other. In fact, Roosevelt ran in 1932 as a deficit hawk (Kennedy 1999). In 1937, Roosevelt actually sported balanced budgets, which may have caused another recession. One of Amity Shales (2007) points was that both conservative economists (Irving Fisher) and liberal economists (Keynes) had major issues with the New Deal. Of course, identifying a coherent theme in the New Deal is nearly impossible because the body of domestic programs and legislation was so diverse in its intellectual underpinnings, political support, and emotional appeals that no one could make consistent sense of it all (Brinkley 1995). Some of the New Dealers, such as Adolf Berle and Felix Frankfurter, hated each other less out of personality, but more on different views of the world.

Even so, there were crucial distinctions to be made in the rhetoric, versus the practice, of the New Deal administration in the late 1930s. As the historian Alan Brinkley (1995) noted, many liberals made distinctions between tyrannical businessmen, such as a Henry Ford, and enlightened businessmen, such as Henry Kaiser. After the events in 1937 and 1938, many New Dealers wished to use the state to promote competition and protect consumer rights. Even during the most radical programmatic changes, New Dealers were uninterested in breaking up large monopolies despite the presence of various exponents of Brandeis and Frankfurter, such as Benjamin Cohen and Thomas Corcoran (Schwartz 1994; Brinkley 1995). The New Deal's position on monopolies was one of ambivalence. The New Deal settled into two categories: (1) the "broker state," whereby the government would settle between various groups (Hawley 1966), and (2) the compensatory state, whereby the government would use fiscal methods to address issues in the economy but largely leave untouched the inner workings of capitalism (Brinkley 1995). The compensatory state used Keynesian policies to balance countercyclical shifts in the economy or used government funds to build infrastructure in the South and West to create new markets (Schwartz 1994). The New Deal was as pro-business as it was antibusiness.

What can we suggest in terms of new research from the points raised? Firstly, more research is needed on the political thought and activities of managers who played a crucial role in shaping the role of the state. Kim Phillips-Fein (2010) has written an excellent book on how business leaders led a revolt against big government. However, scholars should pay attention to the roles that business leaders took in enlarging the government and rent-seeking behaviors (Krueger 1974; Olson 1982). Henry Kaiser might not have been as successful in business without government backing (Schwarz 1994). Much of what scholars blame on the problems of the market are often rent-seeking behaviors that business leaders have pursued. Secondly, corporate involvement in the state would indicate that management has always had a deep concern, with social responsibility and promoting work as a means of solving social problems. One of the ideas that lead to the National Recovery Plan was the Swope Plan, which was the brainchild of Gerald Swope, President of General Electric (Kennedy 1999). John Hassard (2012) makes a similar point about Hawthorne works and welfare capitalism. However, this observation should be tempered with the fact that managers at the time had different social concerns than they do now and that concepts, such as welfare capitalism, are mentioned in traditional works of management history.

Greater attention needs to be spent on the Second World War. Simply put, the issue facing industrial nations, and especially the United States in 1945, was, to paraphrase Carl Becker, not who would rule abroad, but who would rule at home. The war greatly changed British, American, Japanese, Russian, and French social systems. The change of these social systems had to change management thought. Due to their losses in the War, the Japanese, French, and the Germans were able to reimage what management could be. For example, we know the Japanese embraced quality management after the War. But greater attention should be played on this issue. Likewise, the prestige of the Soviet state had never been higher than it was after the war. The British, though they won the war, lost an Empire and deferential social system and gained a welfare state and an American presence in their affairs. In part, the decline of British power was one of the reasons why the research of Joan Woodward was funded (Garrity et al. 2018).

The net result saw big business gain prestige in a manner unseen since the 1920s (Blum 1976; Brinkley 1995). The new war agencies were populated by big business men, such as Donald Nelson, William Knudsen, and Charles Wilson, thereby cultivating the relationship between big business and the government. The public's attitude toward big business radically changed during the War (Blum 1976). Many people believed it was the production capacity of the United States that caused the defeat of the Axis (Kennedy 1999). A number of businessmen had entered government service during the War and had become the famous "dollar a year men" (i.e., businesspeople who worked for government for a purely nominal sum). The prestige of big business even reached the hallowed halls of academia. Columbia's Allan Nevins, the eminent business historian, would comment to his classes that without big business, he would have two Gestapo men looking over him while he lectured (Jumonville 1999).

One of the arguments behind why Mayo's version became the dominant viewpoint was that businessmen believed that it would allow them the right to manage (Bruce and Nyland 2011). As I mentioned in my Hawthorne chapter, one of the reasons why human relations got noticed after the war was dealing with the aftermath of an unsteady labor situation. The willingness of managers to use different methods in dealing with labor, such as human relations, may have had to do with the prestige they gained during the war. In addition, liberal attitudes toward big business were tempered. Liberals also began to see voters as consumers, which changed their attitude toward corporate size. Consumers and liberals now recognized the benefits of economics of scale. Scholars should consider these issues as well in their analyses. As Peter Drucker wrote, managers and union leaders needed to search for ways to promote trust. Rather than using contracts (such as collective bargaining) or regulation, both sides needed to find ways to promote trust on a spontaneous basis. In addition, from a marketing and strategic standpoint, big business reorganized society through advertising. It weakened the citizen consumer concerned with social responsibility (Cohen 2003). This probably had a huge influence on how workers and the public viewed management.

One issue that scholars have ignored is the role of the Cold War in shaping management. Mills and coauthors (Kelley et al. 2006; Foster et al. 2014a) have argued that management historians have ignored the contributions of management thinkers, such as Frances Perkins, and concepts such as the New Deal. I find this comment curious, namely, because Franklin Roosevelt remained a popular figure in the Post-War Era (Leuchtenburg 1993). In addition, neither the Republicans nor their conservative allies sought to overturn various aspects of the New Deal, such as Social Security, Keynesianism, or farm payments (Patterson 1997). In fact, the Republican, Eisenhower, began one of the most massive public projects in history – the interstate road system. The 1950s were noted for their consensus, not their radicalism nor conservatism (Pells 1985). Even Ronald Reagan did not wish to overturn the New Deal, maintaining popular memories of it. Finally, if the Cold War were as intellectually constraining as Schrecker and others make it out to be, then how come we had a New Left?

Yet, the Cold War presumably did play a role in management. For example, what role did Americans have in transporting American management concepts to its allies? We have some notion of this since quality production was brought to Japan through American thinkers. A second reason – did the Soviets reject American concepts of management, or did they embrace them? Wren and Bedeian have an excellent article on Taylor and Leninism (2004), but future work is needed on the Stalin and post-Stalin period. A third important question should be – did the Cold War provide legitimacy to managers or did it limit it? The answer would depend upon which time period within the Cold War. The image of operations management took a hit during the Vietnam War, especially with the loss of respect of Robert McNamara and his methods of management. Did this limit operations management from gaining momentum? Did the emergence of Silicon Valley and its rejuvenation of the US economy aid in the Cold War? Did it create an increased emphasis on entrepreneurship in the profession?

One major issue that needs to be discussed is the role of the Cold War in distorting the ethics and morals of managers. Derek Leebaert (2002) wrote an important work in recognizing the true cost of the Cold War while at the same time as praising the righteousness of fighting communism. The cost to America was an increased level of unethical misconduct. The modern paper shredder, long a symbol of shredding unwarranted documents by business, has its genesis in the government. Likewise, would corporate espionage have been as common if there were not as many espionage and counterespionage agents out there? In addition, we know that affirmative action came into being due to government dictating policy in its contracting companies. In addition, the United States took on civil rights issues due to Soviet criticism. Due to both the War and Cold War, many companies entered into contracts with the US government – what other policies did the government enforce due to the Cold War?

One last question of context – why the United States? This previous section reveals a deep US bias. Indeed, of the top management thinkers in history, most have worked in the United States or were United States citizens. While the United States has dominated other sciences, I do not think that any other field comes with the dominance of the United States than management. Management did play a key role in establishing the United States as a global military and economic power – but what other factors lead to the United States becoming such a hotbed of management. In my chapters on Taylor, nineteenth-century management, and British management, I provide some answers – namely, knowledge transformation, number of engineers, number of universities, and a style based on production. One additional answer could be that of the three major conflicts of the twentieth century (the world wars and Cold War), and the United States emerged the winner of each. Scholars should consider this issue as well.

Slavery

Slavery has long plagued the human race. This practice, a holdover from the ancient world, continues to plague humanity even into the modern world despite the best efforts for its eradication. Wren and Bedeian (2018) do not consider the impact of slavery on management thought, an oversight that has been criticized. A principle issue is that slavery is not free labor. Despite the attempts of Marxian and critical scholars to argue that free labor is wage slavery, there is a vast difference between the two concepts. However, there are also questions whether American slaveholders produced works of management thought. Mostly, they borrowed concepts from ancient Rome and Greece – which Wren and Bedeian do cover.

One of Wren and Bedeian's most prominent critics, Bill Cooke (2003), whose paper on slavery has influenced many scholars, has works in critical management and postmodernism. The major implication of Cooke's work is that management is a flawed approach because much of the conceptualization of management is racism. Therefore, management and business historians, such as Chandler, Wren, and Bedeian, have overlooked the role of slavery and management's racist origins to ensure the legitimacy of management. Presumably, although Cooke does not write this, if management could accept its' racist and elitist past, perhaps we could build a management that is more receptive to social responsibility.

Cooke bases his argument on several facts. Firstly, he points out that slavery was big business. The economy of the South, if a separate nation, would have been, based on Fogel's work, the world's fourth largest economy. Secondly, Cooke demonstrates that Southern slavery barons were highly committed to extracting every penny they could from their slaves. Cooke notes that Jefferson sounded and acted like an efficiency expert. Thirdly, he notes that the South was industrializing, embracing some of the elements of modernism. Fourthly, Cooke, drawing on Richards (2000), argues that the South was the most politically powerful part of the United States, connected to the North's capitalistic structure. Fifthly, he notes that Taylor's racism, "notwithstanding his abolitionist parents," was such that he had the same racist views toward workers that a slave master would direct toward a slave. Cooke argues:

> First, for management to be modern, it has to take place within the capitalist system. Slavery is excluded from capitalism explicitly by Chandler with his assertion of ancientness, and his claims for a lack of separation of ownership and control in particular, and tacitly by Burnham and Braverman with their specification of wage labour as a defining feature. Second, for management to be management, the activities carried out in its name have to be of a certain level of sophistication – for Chandler, beyond the apparently simple harnessing of enslaved people's seasonally varying labour, for Burnham and Braverman in order to achieve wage labourers' submission to capitalist relations and processes of production. Third there has to be a group of people carrying out these management activities who have a distinctive identity as managers.

Cooke concludes that the slaveholding class was one based on capitalism, their viewpoints, and techniques mirrored those of modern business owners.

Cooke's opinions have found favorable reception among scholars and little written criticism. Although there is truth in what he writes, he makes several mistakes and ignores the crucial issues between the North and South, such that one could possibly call Cooke a "Civil War denialist." He completely glosses over the concept of free labor, the major underpinning of the Republican Party. That is not to say that the Republican Party consisted of abolitionists, but they viewed free labor as being morally, economically, and socially better than slave labor or other types of pre-modern labor models (such as indentured servitude) (McPherson 1988). The fear that slavery would spread into the territories and lower the status of free labor was the proximate cause of the American Civil War (Potter 1976). In fact, free labor was one of the crucial concepts that lead to the development of the American working class (Foner 1970). The free labor movement did recognize that laborers (even African Americans) should have some rights that could not be taken from them. I would suggest that critics read Allen Guelzo's (2008) and Harry Jaffa's (1959) work on the Lincoln-Douglas debates of 1858 or, even better, read the words of Lincoln himself, when he stated that slaves should enjoy the benefits of their labor.

Secondly, the lack of free labor caused the slaveholding South to develop moral arguments and other methods to gain slave acquiesce and self-serving reasons as to why they held slaves. Their major ideology was paternalism, an idea developed by Eugene Genovese (1976), considered one of the best historians on American slavery. Paternalism was a myth propagated by the slaveholding classes to justify, defend, and then advocate for slavery – not just for African Americans but for whites as well. Slave masters had the responsibility for clothing, sheltering, feeding, and protecting their slaves. Slaveholders also took a strong interest in the reproductive activities of their slaves and attempted to control their religion. In turn, these behaviors (which were self-serving) led slaveholders to believe that they were morally superior to Northerners because, due to paternalism, they were not exploiting their slaves. Their attention to slavery allowed them to devote their time and effort to classical work. In fact, rather than leaving contributions to management, they sought legitimation from classical works of the Greeks and Romans. The Southern view was that slavery was honorable. I imagine a scholar calling a Southerner the economic equivalent of a Northern mill owner would get that scholar, at minimum, a severe beating.

Thirdly, rather than being integrated into Northern political culture, the South was, slowly but surely, losing control of the political process (McPherson 1988). They had lost the House and Presidency in 1860. The territories acquired by the Mexican American War were probably more likely to be settled by the North, due to the population boom. Likewise, Northern Men of Southern principles, like James Buchanan, were absolutely hated in the North. The connection between the Northern Democracy and the Southern Democracy was shattered over the Kansas crisis. Even a reliable pro-Southern senator, such as Stephen A. Douglas, was unacceptable due to his unwillingness to endorse the Lecompton Constitution of Kansas. Cotton Whigs, Northern businessmen who did business with the South and favored conciliation, were becoming ardent republicans.

Fourthly, Cooke overstates the numbers gathered by Fogel (1989). As Oscar Handlin noted, quantifying the slaveholding economy is difficult, since not only did slaveholders have a different perspective on economics, but the numbers were, at best, incomplete. This is the reason why Fogel's work received a poor reception among historians. Rather than suggesting a big business, half of Southern slaves lived on farms rather than on plantations and that only a quarter of Southern slaves lived on plantations with more than 50 slaves. In fact, Northerners were outstripping the South as many fortunes were produced by industrialization. Another particular issue is that Fogel and Engerman (1974) get facts wrong. For example, they vastly overstate the railroad connections in the South. Namely, they only considered one part of the railroad connection – when square feet and population are considered, the South had only half of the railroad capacity of the North. They also overstate production as well (McPherson 1988).

Fifthly, many abolitionists had a strong dislike of immigrants, especially those who were Catholic, suggesting that they were not very enlightened. The fusion of the various anti-slavery movements may have stumbled on the nativism of some of the groups, including the American (Know Nothing) Party. One of the major undertakings that early Republican leaders, such as Lincoln and William Henry Seward, did was to build bridges to all anti-slavery elements and limit nativism. Nevertheless, Taylor's racist opinions were not uncommon during the Progressive Era. In fact, many Progressives, such as Taylor, had similar attitudes toward immigrants and believed in concepts such as Social Darwinism and eugenics.

Finally, Cooke ignores the crucial and key differences between pre-modern and modern management. While the South did participate in a market economy, they could not be considered capitalistic, because their labor relationships were not market driven. They were driven by the paternalistic myths that were propagated by the slave owners. Slaves were not treated as individual workers who engaged in market relationships. They were treated like they were cattle – their sexual relationships, religion, social relationships, and living conditions were under the control of slave owners. They had no legal rights – slaves were not citizens; they could not legally sue. Slave owners could, under certain conditions, even kill their slaves without fear of penalty. Under all conditions, slave owners could brutally whip and even rape slaves. The only concept similar to this type of abuse was the conditions of Russian serfs. The system was so oppressive that the only way they could rebel was through covert means. Their conditions, material and otherwise, were vastly inferior to industrial workers in the North. Each of these conditions should be considered pre-modern.

To summarize, Cooke's approach ignores crucial economic and political distinctions between the North and South. Simply put, the South was based on a classical system. Southern plantation owners were trained in the classics and viewed themselves as the successors to Rome and Ancient Greece. They did not view issues the same as the North – the idea of a theory of management would have been alien to them. As Marx and Eugene Genovese have noted, the slaveholding South was a pre-modern society. Management was a modern idea embraced by the North – which changed its political culture from 1815 onward embracing commerce, industry, advancement, and innovation. The North was exemplified in the person of Abraham Lincoln, who was a lawyer, the prime profession of the industrializing north. While the North did not have comprehensive management theories, several of its thinkers, such as Lincoln, did consider the issue of labor and ownership. Some of these concepts were proto-Marxism, liberalism in the nineteenth-century sense, or Christian charity. Nevertheless, business interests in the North did not view the South as a similar economic system. Many Northern businessmen were abolitionists. Taylor and other reformers were related to and descendants of some of the pre-Civil War reformers. To deny these differences is to deny the Civil War.

Mostly, it is difficult, if not impossible, to overestimate the vast differences between the North and the South. This is reflected in the different working conditions between the two regions. As Lincoln himself wrote about labor conditions in the North, “I am glad to know that there is a system of labor where the laborer can strike if he wants to! I would to God that such a system prevailed all over the world.” He noted, in terms of the rights, slaves “in some respects she (a slave woman) certainly is not my equal; but in her natural right to eat the bread she earns with her own hands without asking leave of any me else, she is my equal, and the equal of all others.” The right of free workers for the fruits of their labor and their right to protect those fruits were something that was part and parcel of modernity. The basic division between slavery and free labor, and free labor’s victory, meant that a new system of management would have to emerge.

Taylor: Wizard or Weasel?

Frederick Winslow Taylor has had a long career of being both admired and hated, praised and denounced, and honored and pilloried. For most management historians, Taylor has a strong reputation as a genius who saved the world; for other historians, Taylor is a mountebank who passed guesses as scientific fact. Arthur Bedeian summed it up best – Taylor: Wizard or Weasel? There seems to be little in the way between those two points, as scholars line up behind either one or the other of those two categories. Of course, it does beg the question – could he be both or neither? In fact, as was once said about another great figure, Taylor is such a large figure that he has contradictions and inconsistencies simply accrued to him. The literature reveals these divisions.

The chapter on Taylorism recaps some of the debate, so I will not repeat myself here. I suggest that Taylor, much like the Hawthorne studies, has a different legacy in management, sociology, or psychology. During his lifetime, Taylor was attacked and denounced as an exploiter of labor and a mountebank who dehumanized workers. If one were to review the work of Charlie Chaplin, Henry Cabot Lodge, and John Dos Passos, the image of the chained worker is one that is clearly seen. Their work could be seen as pre-modern, preferring a simpler, slower pace of labor. Lodge claimed that Taylorism violated concepts of the Renaissance. However, at the same time, when we review the work of Harold Lloyd and Lyndall Urwick, we see a person leading a charge that would transform the world into modernity. Peter Drucker goes forward, arguing that Taylor’s contribution was America’s greatest contribution to the world and was the guarantor of the Allied victory in World War II.

The first real salvo of the battle over Taylorism was launched by John Hoagland (1955), who argued that Taylor did not add anything new and that his work was derivative of others, especially Charles Babbage. Hoagland was actually booed for mentioning these criticisms at the Academy of Management. But things got really serious when Charles Wrege and Perroni (1974) started writing about Taylor. A talented archival historian, Wrege pursued Taylor with a ferocity of Javert chancing down Jean Valjean. Wrege was, in some ways, a model historian, who would have crossed an ocean to verify a comma. Wrege made two arguments. Firstly, Taylor lied or, at best, exaggerated his experiments. His depiction of Schmidt was a false one; Schmidt was hard working and industrious, a worker who built his own home. Secondly, more discouraging, was that Taylor committed plagiarism. While scholars have had issues with Wrege, his works have been widely read and cited. I found him to overstate and lack nuance, but I admired his diligence and effort.

There have been several rebuttals. One from Edwin Locke (1982) was widely cited and highly influential. Locke's point was interesting – Taylor got the major issues correct. In fact, Locke points out that Taylorism could be seen as a forerunner of goal-setting and modern occupational testing and training. Chris Nyland (1998) has made several important and lasting contributions in tracing the relationship between Taylorism and Progressivism/Liberalism. In fact, Rexford Tugwell, a member of the Brains Trust, was a real admirer and sought to plan the economy in a Taylorite fashion. Others, such as Wagner-Tsukamoto (2007, 2008), have pointed out the strengths and weaknesses of Taylorism. The strength was that it attempted to eliminate conflict between management and the worker through a mutual gains strategy and proper incentives. Wagner-Tsukamoto, however, did note that Taylorism had a limited approach in that he assumed that managers would behave well.

Taylorism itself has a complicated past. Firstly, Taylorism could be seen as an attempt, by businessmen, to rationalize work, similar to the process of rationalizing other aspects of life, including home, education, and social. Secondly, Taylorism also could be seen as an attempt by management to destroy worker culture and deprive them of the opportunity to express themselves. Scholars should review works by Herbert Gutman and David Montgomery to understand how worker culture expressed attitudes toward work. Thirdly, Taylorism could be viewed as either part of the Enlightenment or Progressivism. Fourthly, scholars have written about the dehumanizing aspects of Taylorism – many critics, especially those in Great Britain, did not feel that Taylorism was ethical, to use a loaded term.

I feel the next era of research for Taylorism should be in two distinct categories. The first one is exposited by Cummings, Bridgman, Hassard, and Rowlinson in their work, *A New Management History*. I have expressed my opinions about the issues and merits of that work, both in the *Journal of Management History* and in this Palgrave series, but Cummings et al. do raise an interesting point – what was the relationship between Taylorism and the larger efficiency movement? The efficiency movement had a very large tent – both Lenin and Rockefellers were members of it. I would state the examining the relationship between the two movements would be interesting. I would also urge scholars to examine Taylorism through the lens of social networks and innovation theory to explain how this breakthrough happened. My speculation was that Taylor really did an expert job at promoting and developing a cadre of disciples.

Mayo's Many Problems

Elton Mayo and the Hawthorne studies have had a most unusual career in management history. I think that no other work has inspired so much research or provoked as much anger in scholars. There have been heated comments written over the years regarding Mayo, the results, interpretations, writings of the study, and design. It seems that every scholar brings their own biases toward the studies as they see what they want to see. This does not mean that they are wrong – the thing about Hawthorne is that the studies are so broad, so imprecise, that we could read what we wish, even to the point of viewing the political biases of the Hawthorne researchers and critics. Most commenters viewed Mayo and his group as conservative and protectors of the status quo; others attacked Mayo for being vaguely radical; and some, in the case of Daniel Bell, attacked him for being both. Mayo certainly had an interesting career, especially since the aims of the Harvard Group, rather than being radical, were limited in their purpose.

There are several crucial issues that make the Hawthorne Studies and Mayo complicated. The first one is the myth that he discovered human relationships at work. Of course, there are other scholars that could be seen as developing or focusing on human relationships – including Whiting Williams, Henry Denison, and Stanley Mathewson. In fact, the British experience with human relations reveals that they had recognized a social side to the enterprise well before Mayo did – John Child states that 10 years prior to the Hawthorne studies, we see something similar in British management thought. In fact, as Wren and Bedeian (2018) point out, we can see Mayo's ideas in Taylor's. Locke (1982) goes further and states that Taylor recognized group influence. John Hassard (2012) argues that Western Electric had a well-developed human relations program as part of their welfare capitalism initiatives. The Hawthorne studies seem to have discovered nothing new.

There is much merit in these opinions. However, there are subtle differences between the various forms of human relations. Firstly, there was a difference between welfare capitalism and Mayo's writings. This is true due to the fact that welfare capitalism was all but dead by 1933 (Kennedy 1999). Secondly, did management thinkers have access to the materials that a modern scholar would have? Although many people wrote about human relations, the number of journals was limited, and concerns about social aspects about industrial relations did not emerge until later. Finally, we need to consider more the circumstances in which Mayo and his associates worked – carrying the concept of human relations up until the present.

Likewise, there are tremendous debates about the facts and findings of the Hawthorne studies. There is little agreement about the findings of the study. In fact, one commentator called the studies scientifically worthless (Carey 1967). Parsons (1974), Carey (1967), and Argyle (1953) have each published a well-known article about the issues of the study. Morgan Witzel has argued that the studies could not be replicated; Homans argued that there was plenty of replication. Some saw the studies having better controls; others saw them as being more qualitative, a pilot study for more substantial research. Writer Wilbert Moore (1947) viewed the studies as having poor or little theory (Child 1969); British observers admired that Mayo provided a vocabulary through which theory could be developed. Shifting through the various opinions will take time and energy. Perhaps one solution may be tracking the expertise of the critics.

Much vitriol has been directed toward Mayo – who has been under attack over the years. Many scholars have argued that Mayo's political views were fascistic; others have attacked him over his lack of credentials; others have attacked him for being a poor scientist and more of an advocate. Henry Landsberger (1958) offered a defense of the Hawthorne studies that reasoned that *Management and the Worker* was scientifically sound, but Mayo's advocacy was in error. In addition, scholars have found that Mayo was not a real medical doctor but someone who faked his academic credentials. It has also came out that Mayo had strong ties to businesses that funded his research. Others, especially those who were his students and associates, have noted his brilliance, insight, and vision. One particular issue is that Mayo acted in a manner different to the ways in which other academics act – both modern and contemporary.

A major problem with the Hawthorne studies and Mayo is that the historians have lost the context of the studies. I have written about the context in several articles. However, another potential contextual issue is that Mayo had the pulse on what academics and others wished. A potential explanation for why Mayo and the studies have gained such attention was that they were examining something very important – what causes spontaneous cooperation. Spontaneous cooperation is the concept that people freely exchange, without discussing beforehand, the benefits each party will entail. Another way to look at it, Mayo and his group were researching what causes trust in a society. Taylor assumed that trust could come from science. However, he failed to note that workers had little reason to trust management. In fact, they should feel the opposite. Likewise, Mayo was interested in what structures exist in society to promote trust as humanity moved pre-modern concepts to modern concepts. Society switching from a premarket subsistence-based mode of production to a modern one based on the market created social problems. Mayo sought to understand what created trust. Mayo ignored the structures that existed that promoted trust – but his fascination with trust marks a major part of modern management.

Perhaps one particular solution to these problems is for historians to ask questions like: Why did Mayo's version of human relations become the standard? Why did Mayo gain the level of recognition that eluded other scholars and commentators such as Williams? Did Mayo's Harvard connections play a role? What were the aspects of Hawthorne that have allowed it to be criticized? I have started answering some of these questions with my research. The important issue of the Hawthorne studies was not what happened in Cicero but how people were inspired by the studies. Future research should examine Mayo's connections to younger scholars, who would refine and develop his work.

Taylor and Mayo: Friends or Foes?

Taylor and Mayo have had an interesting coexistence together. If nothing else, no two men in the literature have been as cited and misunderstood as these men. The popular literature focuses on the fact that Mayo saved workers from the throes of autocratic scientific management by allowing them freedom to develop social relationships at work (Muldoon 2012). Thus, it would appear that these two scholars are foes. Apparently, the Taylor society did not hold Mayo in high regard (Bruce 2015). Some critics of Taylor, such as the journalist Stuart Chase, argued that Mayo's ideas would trump Taylor, due to the social costs of Taylorism. It seemed natural that these two concepts would be placed in competition against each other, like a matched pair.

Yet, Taylor recognized the need for relationships, and Roethlisberger (1948) had kind things to say about Taylorism and viewed human relations as an extension of Taylorism. Mayo (1945: 69–70) recognized three persistent challenges in industrial civilization as the following (Cooper 1962):

1. The application of science and technical skill to some material good or product.
2. The systematic ordering of operations.
3. The organization of teamwork - that is of sustained cooperation.

Taylor would have also likely recognized these challenges. However, Taylor's focus was more on the first two issues, with less emphasis on the second. Taylor dealt with the issue of the organization of teamwork through the education of the workforce and higher pay. The difference between Taylor's and Mayo's perspectives was regarding pay as a motivator. The primary assumption of Taylor was that of the rationality of a worker, namely, the drive for self-improvement. He made an assumption that a psychologist would not have made.

Mayo ignored the first two issues listed above and developed an approach to analyze teamwork. Mayo's assumption that the workers were irrational precluded the fact that workers could ever totally buy into a system based on science. Even if such a system existed, it could not consider every single contingency. Taylor overestimated the ability of planners to plan. Only through a system that encouraged "spontaneous collaboration" could workers achieve "sustained cooperation." Mayo was unclear what the system was but pointed out that social skills on the part of management were a necessity when working with groups, although he did not elaborate on what those specific social skills were (Mayo 1945; Mayo and Lombard 1944). Yet Mayo lacked an overall structure to provide an answer to both. That answer would come from Peter Blau (1964) and George Homans (1961). Therefore, what Mayo sought was to extend Taylorism to handle the organization of spontaneous cooperation. In fact, modern high-performance work systems combine the factors of both Mayo and Taylor.

Scholars have written extensively about the relationship between these two very different and interesting men. Given the level of writing, it is not surprising that this theme has been exhausted and is no longer worthy of consideration. In fact, Dan Wren wrote to me that the two are so different that there is little benefit in comparing them. The typical response – one forwarded by Stuart Chase – was that human relations replaced scientific management. This point was raised by some of Mayo's associates, such as William Foote Whyte. However, while there is some merit to each statement, a better point might be what limitation of Taylorism did human relations touch upon? The biggest issue was that despite the success of Taylorism and rationalization of work, trust between management and labor remained low. Peter Drucker (1946) noted that human relations had the potential to address the issue of trust.

Who Are Management Thinkers?

This is one of the most difficult questions that management historians have had to answer over the years. Given that modern management is a combination of engineering, sociology, psychology, anthropology, and economics with little overlap at times between those schools of thought, it has been difficult to determine who is or who is not a management thinker. For example, Milton Friedman is considered one of the great economists of the twentieth century, but he has written, mostly as a public intellectual, about shareholder rights and corporate social responsibility. Abraham Maslow, Job Adams, B.F. Skinner, and many other psychologists have made contributions to management thought without gracing a business school. The question becomes even more difficult for consultants and actual managers. How much consideration should we give popularizers such as Tom Peters and other consultants? Is Jack Welch or Sheryl Sandberg a management thinker? Should we give attention to a popularizer as much as someone who produces original work? How do we determine influence?

Compounding this question are the attitudes brought into consideration by the new management historians who point out the social embeddedness of these questions. If history is subjective and based on power, then we could consider new thinkers that have been ignored? To them, management is too male, too white, too beholden to power, and too capitalistic. There are several examples of this new trend. Bridgeman et al. (2017) urge researchers to consider Theodore Roosevelt, Louis Brandeis, and Gifford Pinchot as management scholars. Kristen Williams and Albert G. Mills have argued that scholars should consider Frances Perkins as well. Other scholars have argued that we should consider Charles Clinton Spalding and Mary Van Kleeck. The point of this research is expressed by Williams and Mills (2017): "we directly challenge the assumption that history is unchangeable and push for new and evolved thoughts and interpretations. Therefore, this is an exercise in rethinking the discipline, the concepts and practices and the players (visible and invisible); and discovering new insights into the notion and construction of MOS and associated histories." This is an apt viewpoint.

However, there are several issues about these claims. Firstly, the concept that management thinkers have been sexist and racist limiting the influence of certain thinkers is not a deep or original concept. To state otherwise is history by wish and, as scholars, that is something we should not do. Secondly, the influence of a person's thought can be determined through contextual, textual, and citation analysis. We could see, as with traditional management history, a progression from the work of Taylor to Mayo to Carnegie and beyond. It is probable that Taylor had a deep impact on management thought. It is not probable that Theodore Roosevelt, who failed at business, had a direct impact on management thought. Of course, Progressives, New

Dealers, and their conservative critics did have an impact – but that impact may have been indirect. Thirdly, although looking at history from the viewpoint of the disadvantaged has its benefits, our commitment to history should, and must, outweigh our commitment to justice – whatever that may be.

Furthermore, traditional historians have sought to unearth figures in history, such as Whiting Williams, whom Wren wrote a very good biography about. Bedeian and Greenwood have written about several figures that history has ignored or not provided adequate context. The purpose of this history is to force us to analyze why a particular thinker or model came to dominate the field or became the prime mover as I stated in the last section. Yet, contrary to the *New Management History*, we consider that conservative thinkers, who came to management from fields, are ignored. One of them is George Homans, the father of social exchange theory (SET). SET is one of the most researched and important theories in management influencing fields such as motivation, leadership, performance, personality, justice, and attitudes. Yet, Homans does not receive the recognition that is his due. Homans should have been assigned to play a major role in management history, ranking with such men as Barnard, Mayo, and Simon. Yet, in Wren and Bedeian's (2009) classic work on management thought, Homans does not receive credit for his contribution to SET; his name is only mentioned for his work in the *Human Group* (1950) and his contribution to the Hawthorne studies. Also, George (1968) does not mention Homans at all. The lack of reference to Homans' work in the literature is somewhat incongruent with what scholars thought about Homans during his lifetime. For example, William Foote Whyte, in *Organizational Behavior: Theory and Application*, argues that Homans made the following contributions to management: event-process analysis, exchange, and distributive justice (Whyte 1969). That is to say nothing about his contributions to industrial sociology (Appold 2006; Miller and Form 1951) or his defense of the Hawthorne studies (Muldoon 2012, 2017).

Why does Homans not receive more mention in the annals of management history? For one, Homans, despite writing on industrial sociology and management, was a sociologist who mostly dealt with theory. Homans' inability to gain a position in the Harvard Business School and his subsequent departure to the sociology department consigned him to a career as a theorist (Muldoon et al. 2013). Had Homans worked with Fritz Roethlisberger and other leading lights in the business school, his contributions would have been clearer. Since Homans wrote more on general phenomena rather than on management, it makes sense that his contributions to management thought would not have been as clear as works of other researchers. It would appear that the common definition of managerial thinkers is a narrow one – for better or worse. We should consider other thinkers and approaches to revise and develop our historical understanding.

I have written on this issue in several papers. Several of my colleagues have written on similar subjects. I find this debate to be interesting and a worthwhile debate. Some of the answers to these questions should be gathered through citation and contextual analyses. Other answers could be attained through a careful reading of previous accounts of management such as early works recapping industrial sociology and organizational behavior. I would suggest that a very fruitful variation would be to textbooks from the 1930s onward for forgotten figures and debates. I would also suggest gathering information about secondary sources would.

About the question of who are management thinkers in terms of the practitioner versus academic becomes all the more complicated. There is a deep divide between practitioner and academic management. This divide is getting worse despite the efforts of Jeffrey Pfeffer (1998), whose attempts to address the situation have gone unheeded. From what I could tell, actual managers find most academics to be banal and unrealistic. Academics believe that managers make decisions on heuristics. This divide has been written about quite a bit in the literature, but why the divide exists has not been discussed. Morgan Witzel (2011) does spend time on it, but I believe more work is warranted. I believe that one of the major factors was money; when universities became the primary form of support, interest shifted into a more academic fashion. Pfeffer, despite his focus on applied research, has also argued that management is a low paradigm field and we lose prestige because of it. This is the same issue raised by sociologists during the 1940s when they compared themselves to economics. It seems that we view issues from a perspective of academic politics rather than applicability to business.

The Prime Mover

As I mentioned in the previous chapter about myths, another one of our ongoing debates (and a fruitless one in my opinion) is the search for the original or prime mover. The one particular area of this research has been on Mayo's work, especially his notion of the influence of groups on work. We have learned in the last 40 or so years that Taylor understood groups (Locke 1982), that Whiting Williams and Henry Denison anticipated the Hawthorne studies, and that the Taylor Society had similar attitudes to work arrangements. I have deep respect for these scholars and their work, but this hunt for the prime mover reminds me what J. Franklin Jameson once wrote about the same hunt for the prime mover in history:

> Friday was spent at our tiresome history meeting, where a fellow read a paper on the origin of the military system of England, which he traced back nearly to when our ancestors chattered in the tree-tops. He couldn't quite, because, as I suggested to him, standing armies were impossible among those who held on to branches by their tails.

I sometimes feel this way when I read an article about some forgotten thinker.

This concept is not unusual to management history. As Pitirim Sorokin once wrote regarding social science, we often have a "Columbus Syndrome" in that we consistently rediscover new concepts again and again. In fact, the idea of multiple discoveries is not unusual either. The famous Bayes' theorem, now one of the major concepts in statistics, may not have been developed by the good Reverend Bayes but by someone else. John Maynard Keynes was foreshadowed by William Trufant Foster and Waddill Catchings, two American economists. Milton Friedman noted that economists at the University of Chicago had produced proto-Keynesian work before the Great Depression, and he argues, as a result of this discovery, that the Chicago economists were not impressed with Keynesian economics. There was work performed on what we now call social exchange theory, which was developed, in part, in the nineteenth century, and some of the work Bronwislow Malinowski and Radcliffe-Brown anticipated it.

This theme is so common that there is a name for it – Stigler's conjecture (also referred to as "Stigler's law of eponymy") developed by the University of Chicago economist George Stigler and his statistician son Stephen. Stiglers' work started as a scholarly joke on the work of the great sociologist Robert K. Merton, who proposed a similar concept called the "Matthew effect." The "Matthew effect" states "this pattern of recognition, skewed in favor of the established scientist, appears principally (i) in cases of collaboration and (ii) in cases of independent multiple discoveries made by scientists of distinctly different rank." One of the examples of the "Matthew effect" was stated by Dan Wren (2005), who argued that the Harvard connection benefited Mayo, which could be an example of the Matthew effect.

However, my work (which was noted in Wren and Bedeian) found that there were other factors that allowed the Hawthorne studies to become the major contribution. There are other factors that could lead to one study dominating over another. According to George Stigler (1988:35), "an important way, if not the most important way, in which one influences a field is through one's students." Having followers makes a major difference. Mayo produced several highly influential students; Taylor prepared a generation of followers; and Barnard directly influenced Herbert Simon, who, along with Richard Cyert and James G. March, launched a new school. A second major consideration is the time and place in which the work was performed. Certain topics tend to be trendy at certain times; original works that go against it have a strike against it. A third point is how well someone sells the discovery. This was a talent that Elton Mayo had.

A better question to ask, rather than hunting for original concepts and stating myths, is to better understand the past. That is not to say that tracking down forgotten scholars and thinkers is not worthwhile. It is! However, I believe we have misused this information and have not used it to spur important research questions. Why did one particular version dominate over another? What were the contextual factors? Did one research study have different merits as compared to another? Did the scientist have a better social network? These are questions that warrant further study in the field.

Conclusion

I have found much interest in recapping the ongoing debates and arguments in the field of management history. I hope the reader found it interesting as well. The purpose of these debates is to advance the field. We have gone a long way from the days when we blindly accepted certain narratives about the field. We have dug deeper, researched further, and, in the process, challenged some of the basic concepts of our field. We are also starting to expand past the Taylor/Mayo axis and consider other management thinkers, especially those who are more recent, forgotten about, or were never considered. In doing so, I hope my field could enjoy the gift of professional maturity.

Besides some of the fault lines mentioned in this chapter, I would also suggest the following areas of debate, namely, a broader understanding of the shift from the classical education offered in the West to one more driven by occupational concerns. Did this shift play a role in the creation of management as a distinct field? In what ways will in-depth citation and contextual analysis further uncover previous concepts that have been ignored? Another question would be to track the convergence and divergence between management thought and its allied fields of economics, sociology, and psychology. A particularly interesting point would be the comparison of management with economics, especially since management assumes that there are rules for riches. Hopefully, by tracking these developments, we could have a greater grasp on management thought.

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Methodologies Within Management History

4

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to discuss some of the methods currently used in management history. It addresses some of the major issues currently in the field: quantification, theory, creativity, facts, and sources, and those figures which have managed to lose ground. This chapter builds on previous chapters focused on the various debates within the field of management history. I also discuss some of the various contributions of management historians.

Keywords

History · Methods · Creativity · Theory

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Introduction

When George Homans (1984) decided to become a sociologist, he asked his mentor, Lawrence J. Henderson, on what courses should he take. Henderson provided Homans with several different suggestions, but the one, perhaps most interesting, was that Homans should study history, since it was the one social science with a clear method. Since this statement, the development of social sciences has continued. History has come to be regarded more as an art, rather than a science. The historical method, so crucial to becoming a historian, is considered so basic and unimportant that many historians, especially those who study field such as management history, have little training in the methods and terminology of history. Put more simply, too often doctoral programs ignore management history in favor of other courses.

It is with this in mind that I have written this chapter. I would like to discuss the role and types of sources; the use of theory and social sciences; issues with quantification; and issues with context. I also discuss the importance of time periods and the difference between historical fact and interpretation. One of the difficult issues is that we often talk about invented traditions, without understanding the difference between historical fact and interpretation. A tradition is, by definition, fictive, since it is an interpretation. There is also a section discussing the role of creativity and management history. The purpose of this section is to discuss how management historians can be creative. The concluding section includes a discussion of an excellent American history, David Potter.

The Importance of Facts and Sources

History is the remembered past (Lukacs 1968). We must use evidence to determine the remembered past based on probability and detective work. One of the issues I find most troubling about the postmodernist history is that it disdains facts in favor of interpretations that are usually to the whim of the historian. I would like to define these terms briefly. A fact is something that is true and is based on the preponderance of evidence. That is to say, it is more likely than not that something occurred (Bogue 1983). An example of a fact is that Elton Mayo was born in 1880. This is a simple fact, but facts can be more complicated. For example, we could provide facts on how Henry Ford's policies led to changes in manufacturing.

This is not to say that evidence is completely true and whole and that we were completely objective in our analysis. But history must have some moorings on evidence. We cannot document history by wish; it must be grounded in evidence. This is my issue with postmodernism. Postmodernism is skeptical and, indeed, sometimes outrightly hostile to most forms of historical evidence (Appleby et al. 1994). Its proponents note that official documents are flawed sources of evidence because they either do not consider all relevant factors or because individuals in power seek to control the record. Similarly, oral history and memoirs are flawed since memories are social creations. Within organizations, according to postmodernists, it is only the constructed memories of the powerful that endure. Other types of evidence, such as demographics, are deliberately ignored in that reference to such sources mitigates historical explanations built around power and oppression, which postmodernists regard as the real drivers of history (cite).

That different people take different sides should not be surprising. The importance of history means that there will be consistent argument, debate, and conflict over facts and, more importantly, their relationship with each other. Historians play an important role – they are the ones who develop narratives that inform countries and professions. It is for this reason that George Orwell made Winston Smith a historian (Bailyn 1994). Smith was not an independent historian; his history was dictated by the state.

Modern researchers do not have this level of coercion, despite the pressures they face. Rather the historical record is a field of intense debate. However, factual evidence can serve as a bridge, a template to test whether our assumptions and theories are correct. Evidence emerges from a wide variety of sources. Each source – whether it is oral history, official documents, or autobiographies – has a limitation. According to Salevouris and Furay (2015, p. 14): "History is not 'what happened in the past'; rather, it is the act of select analyzing, and writing about the past. It is something that is done, that is constructed, rather than an inert body of data that lies scattered through the archives." However, different sources can lead to more accurate histories. Based on these sources, historical facts and interpretations emerge.

Sources are crucial to the historian – they are for historians what experiments and surveys are to scientists of various types. There are three types of sources in history. The basic source is primary source material. Primary sources are evidence from those who witnessed, participated, or commented on the period during which we study (Salevouris and Furay 2015). They could consist of corporate and government records; private papers of important (or even non-important) figures; and autobiographies, diaries, and oral histories of participants; they could consist of newspapers and other accounts. Secondary sources are often derived from primary sources. They are interpretations and arguments that historians have developed from primary sources. A third type of source, tertiary, would be textbooks or history books, which are based on secondary sources. An example of this would be the Oxford History of the United States (Salevouris and Furay 2015).

There has been an argument thrown around in certain circles that primary sources are better than secondary and tertiary sources. This is not true, in my opinion. Firstly, the explicit differences between a primary, secondary, or tertiary source are unclear. Rather than being placed in rigid categories, there is great fluidity between them. For example, a biography, considered by most historians to be a secondary source, could be a primary source, depending upon the questions being asked. In his work on Lincoln's memory, Merrill Peterson (1994) uses what would be considered secondary sources as primary sources. Secondly, secondary and tertiary sources help scholars develop research questions to better understand primary documents. Thirdly, secondary and tertiary sources enable scholars to understand the past, the different uses of languages, how people lived, and other pertinent issues. Secondary and tertiary sources can be considered a Berlitz book.

Yet, facts alone are not enough to create history. Knowing when Elton Mayo was born does not really matter. What matters is the relation of facts to each other as Lytton Strachey once wrote. The relationship between facts allows for historical construction to occur. These historical constructions lead to the development of historical interpretations. A historical interpretation is the "process through which we describe, analyze, evaluate, and create an explanation of past events" (Slatta, https://faculty.chass.ncsu.edu/slatta/hi216/hist_interp.htm), and this process is based on historical evidence. That Mayo is *the* father of human relations is an example of historical interpretation. There is a fictive element to this, in that it is constructed (Lukacs 1968). This opinion may be true or false, but there must be evidence behind it. There is considerable evidence to support this position; just as there is considerable evidence to oppose this opinion. Given that other scholars can also lay claim to this title, it makes more sense to state that Elton Mayo was *a* (rather than *the*) father of human relations. As Salevouris and Furay (2015) write: "all good history is interpretation."

Interpretations can range from who is the father/mother of a field to the importance of a study of figure and to larger issues, such as naming a time period. History without time is merely a collection of facts. Although snapshot versions of history have value, they are limited because they do not track evolution and development. Take a history of Australia written for the bicentennial (i.e., 1988) of the founding of the Australian nation. There is a considerable amount of detail, but unless someone knew the history of Australia, then such a history is limited (Bailyn 2015). There is little understanding of how and why Australia emerged. Time explains how events and individuals interact. If we are to state that history is a narrative, facts are the characters, interpretations are the narrative, and then time periods are the setting.

Compounding this is the confusion of myths versus history. In scholarly professions, we often use myth to provide a sense of legitimacy. Management has sought – over the years – to seek legitimacy through several different methods, the use of theory building, the scientific method, and practical application (Pfeffer 1993). As a new field, we have status anxiety and envy toward other more established fields (Steinmetz 2005). This is a common trend throughout other, more established, fields as well. Economics has envy of physics and sociology has an envy of economics (Steinmetz 2005). In fact, scholars such as Jeffrey Pfeffer (1993) have bemoaned the lack of a clear paradigm in the field of management, noting that we are losing ground to other business fields. Therefore, we tend to stress certain figures and events. But myths based on facts often go much further than facts would allow.

Yet, there is considerable argument over "invented traditions (please see Weatherburn 2019)." Since a tradition is, by definition, an interpretation invented by individuals in the field, perhaps it is the reason why managers start the process of management with Frederick Winslow Taylor, rather than such flawed figures as Henry Ford, whose violent anti-union policies and anti-Semitism made him a compromised figure (Lacey 1986). Perhaps, had Ford died in 1918 soon after his electoral defeat when he was compared to Moses, we would have used him as a model. Yet, we also focus on Taylor for reasons that were historical as well, namely, that Taylor appeared at the right time and place for management to emerge as a distinct field. A check of how Taylor inspires thinkers is clear. Similarly, while there were other efforts to understand social man, the Hawthorne studies were the study that inspired scholars to reexamine the field to consider the role of social motivation in terms of economic motivation, i.e., to what extent does an economic benefit shape human behavior. Likewise, checking a listing of citation numbers would reveal what contemporaries believed about the Hawthorne studies and how it inspired thinkers of his own time (Muldoon 2012). It is important to note, therefore, that the complexities of history usually do not lead to ready reduction.

To debunk myths, management historians often create straw men. Wrege and Perroni argued (p. 26) that scholars should "think to look at the idol early enough in the game to discover that it had feet of clay before it was hoisted onto a pedestal." I am curious as to how we answer the question in management: who do we idealize? One of the favorite targets of critics has been the Hawthorne studies. Firstly, scholars have, for the last several years, pointed out that the Hawthorne studies were poor methodologically, that they proved nothing, and that Mayo had a biased viewpoint (Gabor 2000). Secondly, we have also been told that Mayo did not discover "social man" and that its discovery had been researched many years before. These concepts were not alien to the people who wrote at the time the studies gained fame (Muldoon 2012). In addition, the argument that welfare capitalism and human relations were similar concepts is something that is objectively false. If anything, welfare capitalism encouraged worker revolt by reducing all relationships to economic exchanges. By contrast, human relations attempted to solve the underlying alienation of workers that caused revolt (Cohen 1990). As historians look at the Hawthorne studies, the key question should be: why did the Hawthorne studies gain prominence (rather than whether this or that aspect of the project was methodologically valid)? An explanation could be that other ways of dealing with worker revolt were exhausted and managers needed new techniques (see chapter on Mayo).

Compounding our problems as historians is the fact that our interpretations change from one period to the next. I agree with Williams and Mills (2017) that we have, at times, neglected the contributions of certain management thinkers of the past. Williams and Mills selected, as an example of this viewpoint, the work of Frances Perkins, who was President Roosevelt's Secretary of Labor. There are several reasons that Williams and Mills gave for Perkins deletion from the historical record. The points include anticommunism, attacks from her colleagues in the New Deal, and administrative studies focusing on major undertakings like the Tennessee Valley Authority. Therefore, Frances Perkins did not receive credit for some of her ideas, including important concepts like the triple bottom line.

While I believe that this was a strong article, I am not convinced that the historical record is wrong. Namely, they do not demonstrate, in any way, that Perkins' work influenced management *thinkers*, even if, as Labor Secretary, she influenced management *practice*. Certainly, Perkins played a key role in the development of an important body of government *policy*. Much of this body of policy was, however, later overturned by conservatives in Congress. In addition, most business leaders were opposed to the New Deal by 1935, and, given the connection between business research and big business, it would make sense for management scholars to ignore certain thinkers and focus on others. Therefore, there is a degree of subjectivity. Although Perkins *advocated* ideas like the triple bottom line, Williams and Mills (2017) do not demonstrate that she really *developed* the concept. To demonstrate that she was an early developer of the triple bottom line, they would need to conduct a citation analysis.

Another important area of management history research has focused on Elton Mayo's work, especially his notion that social groups have a profound influence on work. However, we have learned in the last 40 or so years that Taylor also understood groups (Locke 1982), that Whiting Williams and Henry Denison anticipated the Hawthorne studies, and that the Taylor Society had similar attitudes to work arrangements. Of course, I am not sure people were aware of the research of others; nor did they really believe that Mayo was original. Even if there is evidence that ideas relating to social groups were in circulation prior to Mayo, I would still find this hunt for the prime mover problematic. As Pitirim Sorokin (1956) once wrote regarding social science, we often have a "Columbus Syndrome" in that we consistently rediscover new concepts again and again. In fact, the idea of multiple discoveries is not unusual either. The famous Bayes Theorem, now one of the major concepts in statistics, may not have been developed by the Good Reverend Bayes but by someone else. John Maynard Keynes was foreshadowed by William Trufant Foster and Waddill Catchings, two American economists. Milton and Rose Friedman (1998) noted that economists at the University of Chicago had produced proto-Keynesian work before the Great Depression, and he argues, as a result of this "discovery," that the Chicago economists were not impressed with Keynesian economics. Similarly, what we now call social exchange theory had a "prehistory," in which some of the ideas that characterized it were first floated in the nineteenth century. Some of the work of Malinowski and Radcliffe-Brown also anticipated this body of theory. But does this lessen in any way the originality or significance of the intellectual currents associated with social exchange theory in the twentieth century? I would say not.

This theme – the search for prime movers – is so common that there is a name for it, Stigler's conjecture (also referred to as Stigler's law of eponymy), developed by the University of Chicago economist George Stigler and his statistician son, Stephen. The Stiglers' work started as a scholarly joke on the work of the great sociologist Robert K. Merton, who proposed a similar concept called the "Matthew Effect." The "Matthew Effect" states "this pattern of recognition, skewed in favor of the established scientist, appears principally (i) in cases of collaboration and (ii) in cases of independent multiple discoveries made by scientists of distinctly different rank." One of the examples of the "Matthew Effect" was stated by the noted management historian, Dan Wren (2005), who argued that the Harvard connection benefited Mayo over would-be theoreticians from lower-ranked institutions. Certainly, such outcomes – favoring the senior scholar from the better known institution – would be an example of the Matthew Effect. Yet there are other explanations as to why certain ideas capture the imagination of their time. Looking at time periods, and contextual cues, is beneficial to understanding our judgments of fact, i.e., why certain interpretations and theories are accepted as valid.

This leads to my next point. If one was to look for a single work that has defined "traditional" or "mainstream" management history, it would be *The Evolution of Management Thought*. Currently in its seventh edition, this work was originally the creation of Dan Wren (University of Oklahoma) with latter editions being updated, revised, and expanded in collaboration with Wren's colleague, Arthur (Art) Bedeian (Louisiana State University). For Wren and Bedeian (2018), management is seen in overwhelmingly positive terms, driving a process of both intellectual enlightenment and economic and political liberation. The influence of Wren and Bedeian's ideas is found not only in their publications but also in their leadership roles within the (American) Academy of Management (AOM) and as PhD supervisors and intellectual mentors. For a generation, Wren, Bedeian, their colleagues, and their former students dominated management history within the United States. Both Wren and Bedeian were foundation members of the AOM's Management History Division (MHD) in 1971. Subsequently, Wren served as the Division's Chair in 1975 with Bedeian becoming Chair in 1977 (Greenwood 2015). Writing of Wren's influence, Jack Duncan, the past President of the (United States) Southern Management Association, wrote in 2003 that, "management scholars generally agree that Dan Wren is the most distinguished management historian of the current generation. Most scholars, I believe, would consider Dan of equal status to business historians such as Alfred Chandler" (cited Novicivic et al. 2015, p. 18). In the last decade, however, Wren's approach has come under attack from postmodernist-inclined "critical management historians."

One of the major criticisms of Wren's approach has come from Novicevic et al. (2015). The argument provided is that Wren and traditional management scholars "developed their web of shared beliefs about the history of management thought not only objectively but also relationally through their socialization in their academic communities." One of the primary concerns that they express was the use of time periods to describe the evolution of history, Novicevic et al. (2015, p. 23) complaining how Wren reconstructs history by describing a connection in time between events, not only between the past and the present but also "between management's present and future." In short, they complain that we err when we use the historical past to guide the future.

In their critique, Novicevic and his co-authors argue for a "decentering" and a reimagining of management history that frees the future from the dictates of the past. In doing so, they remove history of its most potent and salient force – time. Yes, it is true that there is a fictive element to time periods. They are merely interpretations that historians use to make sense of a series of events. One question is – if we eliminate time periods – how can we organize history? This would be akin to eliminating chapters in a book, stages in a play, or yards on a football field. Time periods make history understandable and approachable. This is part of the fictive element that I refer to above. Time periods are interpretations based upon facts. We construct concepts, such as eras, to make history understandable and coherent. To suggest this does not make one a postmodernist – in fact, traditional history understood this concept all too well (see Lukacs 1968). These types of interpretations are what we use to make sense of the world. Without time periods, we would have historical snap shots. Basically, we would change history from being a moving picture (with time going forward) to a series of unrelated snap shots, with little understanding of how and why we move from one period to the next.

Then how do we determine what to name the time period? There are two general methods. The first general method is to name the time period after the major ruler or figure that best fits the generation. In the United States, we would talk about the Age of Jackson, named after the President Andrew Jackson, whose characteristics were a symbol of the age. In many ways, Jackson's policies defined his generation, in that it led to clear lines of both policy and social organization and behavior. However, scholars have generally abandoned naming periods after Presidents and kings, although there are exceptions (we still talk about a Victorian age). The concept of naming time periods after a reigning figure declined due to the decline of biography. The second general approach is naming the time period after political, economic, and military movements. We still talk about the New Deal era. We now talk about the Jacksonian period as the market revolution.

For management, talking about time periods still makes a great deal of sense. We know that management goes through fads and fashions – suggesting that certain issues are important at certain times. Personality was once considered to be a dead construct; now it is one of the most important constructs in the literature. We have now moved past the Big Five (Openness, Conscientiousness, Extraversion, Agreeableness, Neuroticism) to research other constructs. There were management thinkers who scientifically studied management before Taylor and human relations before Mayo. Yet both Taylor and Mayo seem to fit their eras – although I would not speak of an Age of Taylor or Mayo. The reason why time periods work is due to the concept of generations (Mannheim 1952). Arguments within generations arise due to the different sociohistorical experiences that a generation has. Some young people in the 1960s became leftists and others conservatives. Both rejected New Deal liberalism (Klatch 1999). Another reason why management is based on time periods would be that management is a response to socioeconomic conditions. For example, one reason why human relations became so accepted was that some viewed it as a solution to the labor problems that emerged during the Great Depression and Second World War. To write history without time periods would cause more issues than it would solve.

Let's take human relations as a time period. Firstly, we could see the genesis of human relations in the scientific management era. In fact, if we could, we could see human relations well before the scientific management era. Some critics of Elton Mayo noted that he was basically writing arguments like the Gospel of Luke, as assertions of divinely inspired fact (Roethlisberger 1960). For example, Whiting Williams wrote several books and articles that predated Mayo's work. Taylor recognized the importance of groups. One of the notable contributions has been that of Christopher Nyland, who wrote about the policies of the Taylor Society. Therefore, the roots of human relations movement could be seen well before Mayo even started writing on industrial relationships.

If the human relations movement had a "prehistory," this does not change the fact that the movement really began with the work of Mayo, Mary Parker Follett, and

Chester Barnard. There are several crucial explanations for this outcome. Firstly, the concept of Taylorism had a very negative reputation in many circles. This had less to do with Taylor's ideas or the ideas of his associates and more to do with how individuals perceived them. Remember, Taylor promised a mental revolution but wrought rebellion. Secondly, the decline of welfare capitalism, which was ending by the 1920s and ended in the 1930s, meant that new techniques were needed to develop connections with workers. The incredibly high levels of violence and strikes of the 1930s and 1940s provided important reasons to search for methods to produce trust. Accordingly, we are justified talking about a certain time period, the "human relations era."

Creativity and the Historian

Creativity is an extremely important part of the historian's craft as it is how the field progresses. Creative historians stretch the field by asking new questions, uncovering new sources, or through the reinterpretation of existing sources. According to Bernard Bailyn (2015, p. 81), who has written about creative historians, a creative historian is someone that shifted the direction of "historical inquiry" through "substantive and enduring discovery." The list of historians that have won Pulitzer Prizes contains many individuals who would fit the definition of a creative historian.

What are some of the examples of creative historians? Bailyn lists several notable ones. His list is personal and reflects his eclectic taste and experiences. The first historian that he would list as a creative historian would be the American Perry Miller, who was a professor to Bailyn, Edmund S. Morgan, and Arthur M. Schlesinger, Jr., among others. Miller primarily wrote about Puritans, their beliefs, and their ongoing relevance to the American mind (Middlekauff 1969). What made Miller's work so important was that he expanded history. Previously, when scholars considered the Puritans, their criticisms were similar to those of the seventeenth century: that Puritans were boring, enemies against pleasure and nature, and overly pedantic (Middlekauff 1969). The statement that summarized prevailing thought about the Puritans came from H.L. Mencken, who wrote that the Puritans had a "haunting fear that somewhere, someone might be happy" (in Middlekauff 1969, p. 171). Yet, Miller, noting the richness of ideas through previously under-researched sermons, argued the ongoing relevance of Puritan thought to American intellectual life. His discovery of the deep connections between Puritans and the Church of England demonstrated the underlying uniformity in religious persuasion that was born from their experiences in England. Yet, this uniformity would die in the next age, as it witnessed the growth of multiple religious experiences. In other words, the Puritans expressed beliefs that were initially common but became unique because they held on them whereas others let them go. This was a notable and deep discovery that transformed the field.

A second historian that Bailyn considered to be a creative historian was Charles McLean Andrews, who was a historian attached to Yale University (Johnson 1986). Andrews' great achievement was to place the Colonial period of America in an

Atlantic context, through stressing connections between Colonial America and the British Empire. The previous generation of American historians had grappled with the question of how democracy emerged in America (Bailyn 2015). The first approach was the one provided by Henry Baxter Adams, which stated that democracy and American politics could trace its roots to Anglo-Saxon village institutions. The "germs" (Baxter's phrase) eventually took place in America, building a democratic nation. Frederick Jackson Turner disagreed with this approach. He argued that American democracy was the experience of the American frontier. Turner (1920, p. 293) wrote that "American democracy was born of no theorist's dream; it was not carried in the Susan Constant to Virginia, nor in the Mayflower to Plymouth. It came out of the American forest, and it gained new strength each time it touched a new frontier." By contrast, Andrews argued, based on little used archives, that the British Empire had a deep connection to American democracy (Bailyn 2015). Therefore, colonial America could not be understood without careful consideration of the British Empire. When Bailyn and others examined the pamphlets at the time of the American revolution, they noted various references to the travails of British revolutionaries.

Which management historians could be considered creative? Again, the most creative historian, as well as the best, has been Dan Wren, who developed the standard approach by developing a narrative of the evolution of management thought. Wren has the equivalent prestige to Alfred Chandler, the famed business historian (Novićević et al. 2015). The reason is that Wren largely created the structure of management history. The previous works tracing the development of management thought, such as Whyte (1969) or George (1972), merely provided a brief overview of the concepts or gave biographical data. What Wren did, and did successfully in my opinion, is to create a synthesis of management thought, tracing its evolution from one period to the next. Wren (1987) also rediscovered an important, but forgotten, figure, Whiting Williams, whose work on human relationships predated those of Elton Mayo. This discovery encouraged me to examine why the Hawthorne studies became prominent. Another creative management historian could be Charles Wrege, whose work was not in synthesis, but discovery. His work on both the Hawthorne studies and Taylor, based on years of research, has greatly influenced subsequent historians.

This leads me to one final point. Mills and Novicevic (2019) took issue with my review of the *New Management History* (co-authored by Stephen Cummings, Todd Bridgman, John Hassard, and Michael Rowlinson) which I pointed out that the authors wished to supplant Wren and Bedeian from their perch. When they called their work *A New History*, basically, it is res ipsa loquitur, the thing speaks for itself. Given that their interpretations, worldview, and motivations are different than Wren's, it should be obvious that they wish to supplant or start the process of supplanting the standard history of the field. There is nothing wrong with this. We should seek to build on the foundations of excellent scholars of the past. My problem was over interpretation not ambition. Unlike Bowden, who challenged their postmodern assumptions, I merely pointed out some of their points lacked nuance and an understanding of the broader historical literature. This is a common criticism that could be directed at any history or historian. However, I do respect that they are stretching the field, forcing us to consider new approaches. Scholars, such as Rowlinson and other like-minded postmodernists, can be creative as well. They are forcing us to consider our roots.

Context

One of the most important aspects of history is to consider the social, economic, political, and intellectual context of the time in which we study. To do so is extremely important because the past is radically different than the present (Bailyn 2015). Context helps to give a better understanding to primary sources. For example, there has been a recent debate among Lincoln scholars over the sexuality of Abraham Lincoln. This is an important debate, because the Lincoln heritage is a rich and distinct one. As David Donald (1956) noted, politicians often try "to get right with Mr. Lincoln." In this case, history serves as a common framework, a useful myth to rally society (Peterson 1994). In scholarly professions, we often use myth to provide a sense of legitimacy. Accordingly, there have been attempts by several scholars and activists to enlist Abraham Lincoln as a gay man. Yet, the evidence for such a conclusion is sparse. The fact that Lincoln shared a bed with a man for a period is inconsequential. In fact, many of the lawyers who traveled the legal circuits shared beds. The one exception to this rule was Judge David Davis, owing less to his role as a judge and more to his obese size. Likewise, as Doris Kearns Goodwin pointed, strong intimate relationships between males were common at the time. A better understanding of the context of Lincoln's society and time would have prevented a line of inquiry that is based more conjecture than historical fact. It is also interesting to note there are very few works on James Buchanan's sexuality, for whom there is much more evidence of homosexuality than Lincoln. Of course, Lincoln was the far superior President.

How do we learn about the context of the past? We immerse ourselves in both primary and secondary sources. We attempt to make an understanding of the types of language used and other cultural aspects of the past. The past is a very different place, and the great historian can detect importance from seemingly obscure events. As Salevouris and Furay (p. 67) write, "The past is a foreign country; they do things differently there." One of the most important works of history has been the work of Robert Darnton (1984), whose work on a massacre of cats in the eighteenth century reveals how different the past is compared to the present. Using the anthropology of Clifford Geertz, Darnton reconstructed a massacre of cats, which to Darnton was a symbolic action. The cats were murdered by a group of disaffected workers (this could be considered one of the first examples of counterproductive work behavior), who were upset with their master and mistress and murdered the cats as a form of a joke. Further, humor was found in the fact that the massacre implied that the master was a cuckold. This is a barbaric act by modern standards. The fact that we have a hard time understanding it is suggestive of just how remote the past is compared to the present. Yet, Darnton, by combing through primary and secondary sources, could uncover the reason why this occurred: it was simply a form of worker protest.

One issue to note is the common abuse of “the Whig interpretation” of history. Coined many years ago by Herbert Butterfield (1931), the “Whig interpretation” is a tendency to lump the progressive forces of history as the good guys against the forces of darkness. This is typical in history; many historians, especially those of the liberal stripe, view the world as advancing toward progressive values and beliefs. In doing so, they strip history of its nuance and complexity. As both Butterfield and Bailyn (2015) pointed out, Martin Luther and other Protestant leaders were was as intolerant as the Pope against whom they protested. The concept of freedom developed during the seventeenth century only bares a distant relationship of freedom today. Put simply, we try to find those in the past that have our values and grade them accordingly, which makes history less interesting and relevant.

We have this same tendency in management history. Let me state clearly that management has been a great blessing to society. And the people who have benefited most from management are the average worker, an outcome that (Bowden 2018) is contrary to the expectations of those scholars who have a leftist bent. This is not to say that the workers of the past were wrong to oppose Taylorism or Fordism. Take Taylorism as an example. Taylorism encroached onto worker freedom in their search for higher wages. The workers of the time had little reason to trust Taylor, a middle-class reformer and someone who received his wages from the owners. Furthermore, Taylor’s rhetoric was deeply upsetting and even hateful. His writings have whole passages dedicated to the racial and intellectual inferiority of whole ethnic classes. True, as some of his defenders point out, these values were common at the time. However, we must also understand that a man who writes such horrible things about workers would have a problem convincing them to buy into his theory.

One of the most difficult issues in history is dealing with the losers. It has been difficult for Americans to write about the Loyalists, those Americans who continued to support Britain during the Revolutionary War (Bailyn 2015). Most writers of American history painted the Loyalists as traitors, fools, and morally bankrupt. Yet, many of the Loyalists, men such as Thomas Hutchinson, were loyal to the Crown and the British system and were sober in thought and deed and did not believe that the Crown’s activities gave the right of rebellion. In fact, the problem of justifying the rebellion required American ministers to spend a tremendous amount of time searching the Bible for justification. The Loyalists often had a clearer understanding of the real relationship between Britain and American than did the rebels. In fact, given the special relationship between American and Britain, we have moved toward something closer to the Loyalist version than the rebels. Hutchinson may have finally won over Thomas Jefferson, who hated Great Britain.

Who are the losers in management thought? Well it depends upon who is writing. As mentioned above, the workers who opposed Taylorism have been, at times, denounced as fools. However, they had important reasons to reject Taylorism, including, but not limited to, taking away many of the privileges labor had, in exchange for higher wages. Of course, we also assume, because we are modern individuals driven by the market, that wages matter. However, in traditional peasant culture, wages did not matter as much. As we later learned, based on Hawthorne studies, and Equity Theory, pay does have social dimensions and social implications. In short, the connection between pay and worker behavior is more complex than Taylor though.

Another area where historians sometimes have issues is in judging the winners. We can see an example of this in the Hawthorne studies. In writing about the Hawthorne studies, some critics, both contemporary and historical, view the Hawthorne studies as a means for management to regain the right to manage (Harris 1982). For instance, Bruce and Nyland (2011, p. 401) wrote, "Mayo provided the business community with a sound body of intellectual prize-fighters who would support them when they launched their post-New Deal campaign to win back the right to manage that they believed had been challenged during this era." True, management lost power during the War over issues such as production and pricing, but, as stated above, it was going to gain back that power; even liberals realized government intervention in the economy did not work – all one had to do to recognize it was to read an edition of the *New Republic* (Brinkley 1995). Even then, big business played a major role in securing government contracts, revealing a complicated picture of the state. Roosevelt himself stated that Dr. New Deal was retired. Conversely, many executives entered into government service. It was also the case that large parts of the American public had a skeptical and even hostile view toward unionism. As the question of labor's participation in production decisions was debated, many labor leaders – men such as United Automobile Workers President Walter Reuther – stood against labor's participation in decision-making at both the firm and workplace levels (Lichenstein 1989, 1982; Patterson 1997). Accordingly, the ability of labor to make fundamental changes to the nature of capitalism is a greatly overstated argument. How could big business regain the right to manage when it never lost it? Labor's position of ascendency in the country had never been secure and was by no means secure in 1946 (Lichenstein 1989; Patterson 1997). Indeed, it would appear management had all the means to regain prestige and power even without the Hawthorne studies. During the war, it seemed to many that the effects of unionized labor were causing more problems than benefits. In 1944, there were 4956 labor stoppages alone. In 1945, there were 4750, and in 1946, there were 4985. Most of these strikes were wildcat strikes, which means that they occurred against the wishes of the unions to which the striking workers belonged. In fact, some contemporaries saw the Hawthorne studies (Chase 1946; Drucker 1946) as a means to lower the amount of discord in society. To dismiss someone like Stuart Chase as a management shill would be misrepresentative, considering he was a man of the left. His work appeared in the left-wing publication, the *Nation*, which opposed the Cold War. Conversely, conservative magazines would not publish his works.

Not only does history happen within context, historians also write in the context in which they live. If we trace the books and articles published by major presses and journals, we would notice that the amount of certain topics rise and decline. For example, of the great books published on Abraham Lincoln, in a biography written by Benjamin Thomas, there is no recognition of Frederick Douglass, the preeminent

African American abolitionist. Yet, there is today a vast literature on the relationship between Lincoln and the various abolitionists, including Douglas, a literature that traces a deep and complicated relationship. This shift reflects the fact that historians now write with a different strain of historical thought in mind than that of the 1950s. A thematic study of the *Journal of Management History* (Schwarz 2015) would find a great increase in papers of women and minorities in management. Old topics, such as the Hawthorne studies, reflected a single article published in 2010–2014. This reflects a change in management history.

When I was at Gettysburg College many years ago, we read two differing frameworks of the Reconstruction (i.e., the Unionist occupation of the United States South during the late 1860s and early 1870s), written by two different authors. The first was written by Hillary Herbert (1912) who was highly critical of Reconstruction policies, many of which sought to give African Americans the same civil rights as other Americans. The second was written by Kenneth Stampp (1965) who was favorable to Reconstruction and wished that Reconstruction had worked. Herbert had fought in the Civil War on the Southern side, was from South Carolina, and had opposed racial integration. Stampp was a Northerner from Wisconsin, who came from a family with strong progressive tendencies. He also wrote during the 1960s, which some have called the Second Reconstruction. The lesson was, when reading history, consider the historian. I never read history the same way again. However, scholars have been aware of this type of technique for years. In management history we have similar lines of debates. Hanlon, who is a radical historian, views worker's refusal to work and rebellion as pushing management forward. Other scholars view workers' rebellion with a less favorable view.

Interpretations can change how we view facts. One of the great American historians on slavery was U.B. Phillips, who was Southerner, located at Yale University. Phillips was the most influential and thorough historian regarding the Southern plantation system in the first half of the twentieth century (Hofstadter 1944). Phillips was a great historian, but he was a deep racist, whose attitudes to African Americans were, if not hostile, deeply patronizing and paternalistic. Phillips' contention was that slavery was an economic blight but an acceptable method of racial control. Phillips also noted that slaves were treated well. Again, Kenneth Stampp (1956) overturned this observation by arguing the reverse: that slavery was an economically efficient system but a deep and cruel social system. Rather than viewing slaves as docile and lazy, Stampp argued that they actively resisted. Stampp's position would be validated as historians of slavery gathered evidence from different sources.

There is a myriad of examples about the problems of contextual analysis. To do it properly, we need to conduct thorough analysis of citations and texts to recreate social networks. This work must be done through evidence. This is a painstaking process but one that could lead to a better understanding of the past. As I have written before, the reason why I respect Bernard Bailyn as a historian is that he looked at old evidence with a new eye and, in the process, discovered new pathways that scholars had previously been unaware of. This should be the goal. I feel too often that the new management history wishes to tear down canon because they disagree ideologically with those scholars not because they are bringing a new eye to an old problem.

Theory and Quantification

There has been a call, in recent years, to use theory to make management history better and to gain more respect in the field. When I entered the field a little over 12 years ago, theory was the mania of the profession; I see little reason to believe it has changed. Our top journals often reject papers because they lack theory or do not make enough of a theoretical contribution, a phrase that is often used but one I find puzzling. Theory is a term that is often used to describe concepts and other phenomena. Whether these concepts and phenomena are theoretical, I am not sure. Often, we call something theory, but it does not fit what a scientist would call a theory. In fact, much of what we call theory, such as Talcott Parsons's work, would fail this distinction. This point is not an idiosyncratic one, as both Sutton and Staw could not define a theory, merely what it is not. Even under their definition theories, such as the covering law approach, would not fit Sutton and Staw's definition of theory (DiMaggio 1995).

I find this embrace to be slightly ironic. It is not because many of the critical theorists are poor theorists. The opposite is true; many of them are excellent theorists. One of them, Roy Suddaby, has been named an outstanding reviewer in our preeminent journal, the Academy of Management Review. The embrace is ironic because they are doing what they claim others do – namely, shaping their narrative and worldview to those who are in power. At present, people who wish to build theory are in power in the academic profession. Naturally, those scholars who wish to gain admittance to the higher levels of the academy will, in turn, shape their work to reflect a scholarly bent. This drive has been repeated in several academic fields, including sociology and economics, two fields with a close connection to management.

Yet, I would caution future management historians in their embrace of theory. I believe that theory is a generalizable approach that approximates the real world. It ignores complexities that the real world has. Many historians, especially those who pay close attention to primary material, are often skeptical that theory or laws would apply to history (Salevouris and Forney 2015). Despite the attempts over the years to make history a science, it remains completely a craft and an art. History also cannot be falsified and therefore does not fit what a scientist would state what a theory should be.

This hunt for theory development reminds me of the experiences of George Homans (1984), the father of social exchange theory, one of the most important theories in social sciences in general and management, in particular. Homans had unusual training for a student of sociology; he took no classes in sociology, and his principal professors were Lawrence Henderson, a medical doctor, and Elton Mayo, a psychologist. Henderson felt that the one social science with defined boundaries was history, and Henderson encouraged Homans to conduct research there. This is the reason why Homans's first scholarly book focused on English villages in the Middle Ages. It was a topic that could be safely considered historic. Yet, Homans moved passed this to type of research – and even studies about industry – to theory, because to gain prestige, he needed to be a theorist.

History and the social sciences have had an unusual association. Richard Hofstadter, a Columbia-based historian, wrote a series of books that used concepts and theories from sociology, including the work of his Columbia colleague, Robert Merton. Over the years, we have witnessed many works that have combined both history and social sciences, such as psychology, sociology, and economics. The reception of these works has been mixed, to say the least (Handlin 1979; Peterson 1994). For example, there were several works published on Abraham Lincoln that argued that Lincoln commenced the Civil War due to his poor relationship with his father. Basically, the America created by George Washington served as a proxy for Lincoln's father. These and other works based on psychology have, with good reason, been highly controversial. Yet, psychology has helped to revive biography, which has lost prestige due to the Annales and Marxist schools (Garraty 1960).

Likewise, works that use quantitative techniques also have a problematic place in management history. Much of the controversy has been devoted to the field of cliometrics, which was developed in the 1950s to the 1970s by economists, such as Robert Fogel. The principle work on this issue was by Fogel and his co-author Stanley Engerman, *Time on the Cross*. This work argued that slavery was highly profitable; that slavery was highly efficient; and that slaves were only marginally economically exploited. In fact, the authors argued that slaves were treated better under slavery than they were afterward. These were stunning observations that upended generations of thought on slavery.

Needless to say, the book was highly controversial. Both scholars were attacked as racists, even though they wrote the book to destroy myths that were propagated against African Americans for years. Fogel was married to an African American woman. Fogel would win the Noble Prize. The book itself would win the Bancroft Prize, one of the top awards in history. Yet, its reputation in historical circles has not been high. The book launched a whole cottage industry of attack. Scholars, such as Oscar Handlin and James McPherson, noted that both Fogel and Engerman made numerous mistakes in calculation. Herbert Gutman criticized not only the erroneous calculations but also the failure of Fogel and Engerman to consider social aspects such as lynching and whipping. Arguably, however, the most damning critique was that made by Haskell (1975), who observed:

> Fogel and Engerman should have known from the beginning that any comparison of regional efficiency in the antebellum period was fraught with breathtaking difficulties. The basis for their comparison, a rather controversial economist's tool known as the "geometric index of total factor productivity," gives results whose interpretation is debatable in even the most conventional applications. The index is essentially nothing more than a ratio of output to input: it ranks as most efficient that region, or other economic entity, which achieves the highest output with the lowest inputs of capital, labor, and land. The fatal limitation of the index, given the uses to which Fogel and Engerman wished to put it, is that it measures output in market value, rather than physical units (contrary to the impression given in

> volume one of *Time on the Cross*). There is no escaping this limitation, for one cannot aggregate a total output composed of bales of cotton, bushels of peas, pounds of pork, etc., without reducing everything to dollar value.

Although Fogel and Engerman did respond to their critics, the conversations between the economists and historians were not fruitful. Simply put, using quantification is important, but unless you understand the nuance of the time period, you will have a difficult time using those numbers. However, quantification is important and necessary for historians, especially those of us who study management and business.

To Be a Potter

I would like to conclude this chapter with a discussion of an American historian who exhibited some of the best characteristics that a historian should possess. His name was David M. Potter, who was a professor at Yale and then Stanford, where he served as Coe Professor of History. He was a student of U.B. Phillips, who, given their shared Southern heritage, would suggest that his ideas would be not too dissimilar to that of his mentor. But, unlike Phillips, he was able to transcend the limitations of his heritage and, in the process, made a substantial contribution to American historiography. His most significant contribution was his work on the Secession crisis, which is the period from Lincoln's election until the battle of Fort Sumter in April 1861. This is a very controversial period of American history, when the Civil War really started. Potter's book was published in 1942 and has been reprinted several times since then. No less an observer than Sir Dennis Brogan (1969) called the work the second most original dissertation and one of the most durable contributions of an American historians. This durability has endured despite the opening of the Lincoln papers and the publication of many other books on the Civil War and antebellum America.

It was on the basis of this contribution that won Potter his professorship at Yale. What was truly remarkable about Potter was that he was able to transcend his background as a Southerner and to write as someone that could look beyond his sectionalist background. Not only did Potter cover the Succession crisis, he also explored the ideas and passions that drove the crisis. It covered not just the political maneuverings but also the passions and ideas of the general public. He also developed a portrait of Lincoln as he was, an untried but talented politician, struggling with a new minted party and an uncertain mandate. He also describes with nuance and understanding the contradictions between the liberal and conservative wings of the Republican Party and how this division played a role in the crisis. He also wrote intelligently and ingeniously on Lincoln's decision to prevent the Crittenden Compromise – which would have curtailed the need for succession by entrenching slavery in United States law – from passing through Congress.

The reason why I mention Potter's work is that in management we are something at a crossroads. The recent economic stagnation and the market crash of 2008 have damaged management. Increasingly, there are scholars who are questioning the various foundations of the field; there are scholars attempting to defend those foundations. I must confess that I have played a role in this debate. Debates such as these are good for the field. History is a series of arguments. These arguments must be based on evidence. To examine the evidence in a dispassionate way, to rise above our biases, to base arguments on limited evidence, requires that we demonstrate some of the sound judgment that Potter possessed.

Cross-References

▶ Debates Within Management History
▶ What Is Management?

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Conflicting Visions: A Recap About the Debates Within Management History

5

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to recap the various debates about management history by considering the roles of traditional history, postmodernism, radical history, and ANTi-history. I also track the development of various myths and discuss the competing strengths and weaknesses of the various models. My purpose is to provide a discussion of the models – not to offer judgment but a reasoned appraisal for the purpose of edification and debate.

Keywords

Traditional history · Postmodernism · Management history · Radical history

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Introduction

I begin, mea maxima culpa, by stating that I did not write this chapter as a detached scholar but rather as an active participant and curious observer on some of the ongoing methodological and epistemological issues in the field. As such, I cannot claim to be comprehensive nor unbiased. What I can do is to provide the observations of a young but published scholar, one who has been involved in several debates about the field (Muldoon 2019). My perception is that the field is very different from the one I entered into about 10 years ago. In some ways, the field is worse. Although the *Journal of Management History* remains a well-regarded journal, we no longer see history articles published in higher-level journals such as the *Journal of Management*. Although we have new perceptions, the clarity and precision that I believe characterized the field during the period of ascendancy and domination by the University of Oklahoma (Dan Wren) and the Louisiana State University ascendency is increasingly gone. Yet, at the same time, we also have witnessed increased debates that are furthering the field.

No matter one's perspective, these current debates about traditional history versus the new postmodernist history can only benefit the field, as it moves us beyond single studies with little connection to each other to rigorous debates that may advance the discipline. Although I am a critic of much of the new history, I am respectful of the talents of the postmodernist side, their intellectual contributions, and mostly, because it is inspiring debate. As a younger scholar, there is much to learn about their steadfastness in questioning ongoing nostrums. That Rowlinson's (2015) initial paper on the Historic Turn, which was rejected by the Academy of Management, provides hope to any scholar who has had a good paper rejected. Like it or not, Rowlinson's work is something that a management historian has to come to grips with. The hope I have is that we can provide sufficient attention to the field of management history, increasing the prestige of what is currently one of the smallest divisions in the academy of management.

Management and organizational research and historical analysis have a curious history. Joseph Litterer, whose work on the standardization of business was one of the first works of management history published, abandoned his research to become a traditional organizational behaviorist. Twenty or so years later, Arthur Bedeian did not quite abandon history, but he moved his research line from a purely historical approach to one that embraced traditional empirical research and theory building. In fact, during one seminar at Louisiana State, Bedeian stated that scholars seeking a future in management history had gloomy prospects. Of his contemporaries, he noted only Charles Wrege and Daniel Wren were able to make a career as a management historian. Yet, it was also true that many scholars, such as Alfred Chandler, George Homans, and Peter Drucker produced, at one point or another, historical research. Unfortunately, the "management" and "organizational studies" fields have moved into a more purely "scientific approach," one that often ignores history. A number of prodigious management historians, such as Milorad Novicevic and John Humphreys, have a successful publication record in other areas of management. In fact, some of their management history has contributed to theory building elsewhere (e.g., Novicevic et al. 2017).

Management history as a disciplinary field arguably started in 1972 when Daniel Wren (1972) published the first substantial work of management history. Previously, Claude George's (1968) work focused on merely recounting dates, works, and figures. Wren's attempted to provide a framework on the evolution of management thought – one that explained how figures from ancient history up to the past have influenced the field. Subsequently, Wren occupied the commanding heights of the field. Management scholars often felt the need to either contradict this analysis or, alternatively, use his framework as a basis of their own research. In fact in my first two published papers, I took exception to several parts of his work and wrote papers that were a respectful rebuttal (Muldoon 2012) but nevertheless a rebuttal. Yet, there has been an influential and growing movement that has challenged his work – often noting that he placed management history in an iron box, ignoring some figures at the expense of others and ignoring topics (such as slavery) that could cause embarrassment to management (Novicevic et al. 2015; Cummings et al. 2017).

I regard this critical movement as a mixed bag. Firstly, for the field of management history to grow, we need different voices. The voice of one person, no matter how sober and well-informed, cannot and should not speak for the voice of entire history of the field. I appreciate some of the different voices and approaches. Revision and argument are not antithetical to history. In fact both are necessary for the field to grow and expand. Therefore, revisionism is not a specific brand of history but how history is developed. Yet, and this part I decry, we often unfairly and unnecessarily attack the works of great previous historians. I write this chapter to provide an overview of the debate between traditional histories versus the new history. I talk about how this debate informs the following topics: an overview of traditional history, the challengers, and the role of myth.

Traditional History

Management history started largely with the work of Daniel Wren (1972) and his friends and colleagues, Ronald Greenwood, Charles Wrege, and Arthur Bedeian. Wren and his colleagues' work was grounded in empiricism and provided the traditional narrative of management history – with a progression of scholars starting in ancient times to the era of Frederick Winslow Taylor that created management thought. Wren was especially important in developing this approach, as his work on management thought has enhanced his reputation to the point where he is considered the "Alfred Chandler" of management history (Novicevic et al. 2015). Wren's work was the first to take management's history seriously. Unlike Claude George (1968), Wren provided not just a description but also a background and context for his work. The purpose was to provide the reader with the "gift of professional maturity" so that scholars can understand where we came from, where we are going, and the perils and promise of the field (Bedeian 2004). Wren and Bedeian also viewed the work of the past as the foundation on which current management thought is built, thereby providing assurances for those in the present that "progress in scholarship is a multigenerational endeavor" (Wren and Bedeian 2018, pg. xix).

Contrary to the criticisms sometimes made against him, Wren's history as embodied in *The Evolution of Management Thought* (now in its 7th edition) is consistently changing from one edition to the next. The method that Wren and (later Bedeian) provided was one based around examining scholarly works to produce a narrative. Although unstated, the primary method employed by Wren and Bedeian is probability based on the preponderance of evidence (Bogue 1983). Necessarily, both methods require consistent revision and review of the historical record in the light of new scholarship. As a craft, historians carefully weigh the evidence based on the historical record. Interpretations change as evidence changes – much as it would in Bayesian statistics. The individual historian may be prone to error – but the hope is that the review process and the community of scholars can correct errors and promote more accurate histories. The net process of management history over the last 50 years is an impressive body of evidence.

In essence, Wren and Bedeian sought to understand how various theories in management have emerged by capturing their chronological relationship in the belief that this approach best captures the "zeitgeist" that "compose the people and time" who form management thought. Wren and Bedeian therefore use time as a boundary for writing a compelling history that demonstrates the development of management thought. This is revealed by their selection of the term evolution – suggesting not Darwin, but a development of the field. The term evolution implies two distinct things. Firstly, evolution implies a development over time. It is that way they track development from one time to the next. Second, it implies things get better. These assumptions and methods have been challenged by those associated with the so-called Historic Turn in management thought.

One of the salient elements of Wren and Bedeian's work is the concept that they divide management history into four chronological periods – which are the (1) the early period, (2) the scientific management era, (3) the social person era, and (4) the modern era. They use these four simple but elegant domains to track the transformation of management, demonstrating how management has unfolded since the ancient Egyptians and Sumerians. One of the implications of their research is that management moves through fads and that one generation leaves a general framework through which other generations emerge. The basis of this type of research, as noted by Novecivic, Logan, and Carraher, is that:

1. Chronological studies proposing periodization in the evolution of management thought
2. Studies aimed at ensuring that management's knowledge base does not contain any myths or misinterpretation from the past
3. Studies uncovering examples from the past to serve as benchmarks for the future
4. Studies aimed at reevaluating the past against our current knowledge base to identify management fads and fashions

Up until recently, scholars adopted this type of framework, relatively uncritically. In fact, in one of the reviews of my Hawthorne paper (2012), a reviewer complained that I was being too critical of Wren's perspective. My own perspective was that Wren's work was so good that it should serve as an inspiration for criticism, either because there was a gap in his study or because there was a quibble with his interpretation. I felt that Wren's work was the Bible of management thought in the same way Viteles work has been for motivation and industrial/organizational psychology (Mills 2012). I have recommended this book to colleagues, doctoral students, and even practitioners who wish to understand management. There is no topic of management thought that I do not want to read Wren's opinion, as I have found it sober and well-informed. I am also in complete agreement with him that history runs through periods as it usually is the experience of generations that produced and interpret historical events.

A New History

Despite the commanding heights that Wren's work has long occupied, there has been a group of scholars who have criticized not just the findings of Wren and Bedeian but also the philosophical underpinnings of it – namely, the use of time periods. Critics of this type of format argue that they are artificial constructs imposed upon history by historians, with little regard or understanding of the nuances of the past. For example, one of the contemporary criticisms is that there were recognized systems for systematic or if not scientific management long before Taylor. Starting with Bill Cooke, scholars have demonstrated that slavery, especially in the United States, could be viewed as a massive management enterprise – one that combined elements of human capital, profit, and strategy – well before Taylor. Therefore, what Wren and Bedeian did was to impose a heuristic and, indeed, random structure on the past that did not adequately reflect it. In fact, what they did was to ignore negative events that would damage management's legitimacy.

One of the major criticisms of Wren's approach has come from Novecivic et al. (2015). The argument provided is that Wren and traditional management scholars "developed their web of shared beliefs about the history of management thought not only objectively but also relationally through their socialization in their academic communities." As a correction, Novecivic and his coauthors have argued for a more eclectic approach to conceptualizing the history of management thought. This approach has been echoed by other scholars who have sought to include those have previously been excluded from the construction of the dominant historical narratives. Notable among these are those associated with the growing body of postmodernist thought.

Novecivic and his coauthors have extended their criticisms by arguing that approaches such as those pursued by Wren and Bedeian ignore the polarized views that often develop in history. For example, they note that different scholars have varying viewpoints of Taylorism – observing how "Taylorism has been both recognized as the legitimate object of theorizing (Wagner-Tsukamoto 2008) and denied as a myth (Wrege and Greenwood 1991)." Yet, Wren ignores these viewpoints, positing instead the view that Taylorism was a valid undertaking to promote both social harmony and management's own legitimacy. Novecivic et al. also draw upon Bevir's (2003) framework, which holds that we are constrained in developing meaningful interpretations of the past. Moreover, it is suggested those interpretations that do emerge and become part of the accepted field are often the result of subjective experience. Bevir also argues that we often use theory to provide a grossly simplified account of the past that ignores the inherent complexity of history. Seen from this perspective, Wren's assumption that his work is based upon positivist factual claims is nothing than subjective thought.

According to the critique of Novecivic and his coauthors the framework that Wren produced is, therefore, nothing more than an organizing structure that is "fictive" and useful only as a narrative device. Rather than being an objective outcome of history, it is in fact subjective. As Novecivic et al. write:

> Wren has had the capacity to change the webs of shared beliefs about management history that he inherited. In particular, we claim that Wren changed the way in which the history of management thought is now commonly viewed and taught by introducing the analytical framework of social, political, and economic factors that influenced historical change in management practices. We argue that in his book Wren depicts this historical change through the meanings that we uncover from his framework-based conceptualization and narration of the history of management thought.

That Wren's framework became dominant, Novecivic and his coauthors suggest, primarily reflected not its intellectual strengths but rather its spread and adoption through socialization – a salient point in that Novecivic and Carraher were students of Wren. The implication that what Wren produced was not real. Instead, it was but one socially constructed reality, created through Wren's synthesis. Similarly, attempts to develop a "normal history" (to use a Kuhnian phrase) – such as that created by Wren – require a foundation. The past only becomes historical if it consists of events that could have been made only at the time. Wren uses an interdependent viewpoint that consists of both historical and his own judgment.

My take is very different. Although history has been studied for thousands of years, it did not assume its modern form until the time of the mid-nineteenth-century German historian and philosopher, Leopold Von Ranke. Ranke, influenced by the Germanic idealistic tradition, sought to understand the past "as it essentially was." The basis of this research was empirical approach that used critical treatment of unused, original resources. These new historians eliminated the use of the will of God to explain historical outcomes (unlike the mid-ninetieth-century American historian Frances Parkman, who believed that God enabled Wolfe to beat de Montcalm). The ideal historian was someone that would cross an ocean to verify a comma. Therefore, the path that Ranke set historians on was evidence-based analysis that sought to reconstruct the past based on judgment calls. Factual analysis was the key. Despite arguments from postmodernists, there was, even here, an understanding that the past was separate from history. History is based on judgment calls based on the concept of probability. It is possible that Abraham Lincoln was not elected President in 1860 – but it is not probable. There are such things as facts, and not all interpretations are equal – a point even postmodernists recognize.

Let's take the facts of Taylorism. Was Taylorism a myth or legitimate? Those are two different viewpoints by two sets of historians. How could we reconcile them? Well, it does not mean that those two viewpoints are equal validity. For example, as I will note later, Wrege was an excellent empirical historian, who often lacked judgment and failed to see the big picture. To be sure, Wrege did advance the field, but his principle motivation was to debunk Taylor and other historical figures. He did not continue and ask why Taylorism was so esteemed, even if it was built on flawed foundations. Yet, Wrege and Greenwood (especially Greenwood) did believe that Taylorism had benefits even if the man was a jerk. To this day, we continue to use Taylorite concepts of testing, measuring, and theorizing about work. Taylor imagined a new world of plenty produced by management, a new world that has come about. But at the same time, Taylor was also elitist, a liar, a braggart, and a narcissist. Wrege was right, but he did not go far enough. Likewise, Wagner-Tsukamoto (2007, 2008) recognized the limitations of Taylorism while conceding its underlying excellence. The separation into two camps ignores nuance.

The historian must make judgment calls – those judgment calls must be based on evidence; they must consider alternate evidence, and those must be based on the preponderance of the evidence. Furthermore, there is no such thing as "normal history." The field itself is fraught with contentious arguments about interpretations. History is argument without end – there are no all-powerful covering laws in history. Instead, economic, social, and psychological forces combine to move human beings in differing ways at differing times. In fact, the way to get published in history is very different than science. Whereas scientists are bound by normal science (only theory shifts can rescue them), historians are geared toward finding new evidence, to alter the given historical record. Applied to Wren, he consistently updates his work to consider new evidence.

That being said, the one criticism of Wren is that he has kept his superstructure. However, I could not find of any reason why he would have to abandon it. For example, during the scientific management era, management thinkers talked about issues related to scientific management. Likewise, during the human relations era, management thinkers sought to research and understand social relationships at work. That is not to say that scholars did not research social relationships during the scientific management or scientific management during the human relations era. Rather one field was dominant during the time. The use of time is exceptionally important to historical research and narrative. Without such, history would not make much sense or provide little value. Should we, for example, stop referring to America in the period from 1848 to 1877 as the Civil War era? Yes, it is true that many other things happened in these years besides the prospect or reality of civil war. But it was the threat of Civil War and, subsequently, the profound effects of actual armed conflict that did more than anything else to shape the lived experience during these years. Eras take form by major events, social, political, economic, or military.

A New History of Management

The fundamental divide that has opened between traditional forms of management history and advocated by the supporters of the so-called Historic Turn has become even more pronounced with the publication of *NHM*, a work co-authored in 2017 by Cummings, Bridgman, Hassard, and Rowlinson. Claiming that their work provides the basis "for a new, deeper history of management," Cummings et al. (2017, p. 33, xii) declare that the work of "pioneers," such as Wren, is outmoded and unfit for use in "our times." Explicitly framing their study within "a Foucauldian" perspective, Cummings et al. (2017, p. 41) declare that their aim is to write a "counter-history" that no longer accepts "conventional truths." In doing so, they argue several radical positions: that Adam Smith was not a believer in free markets; that Frederick Taylor was no fan of the "efficiency" movement that adopted his name; that the Hawthorne studies were poor scholarship and a detriment to the field; and that Weber was not concerned with bureaucracy.

The postmodernist move into management history is a comparatively recent development. While there were antecedents to this movement, it really started in 2004, with the publication of Clark and Rowlinson's paper calling for a Historic Turn in management research. According to Clark and Rowlinson (2004, pg. 331), the Historic Turn "is an increasing call for an historical perspective in organisation studies . . . the 'historic turn' that has transformed the way other branches of the social sciences and humanities 'go about their business.'" This statement was not controversial that scholars over the years, including Wren and Bedeian, have called upon historical awareness and method in the profession. What was controversial was Clark and Rowlinson's call for this Historic Turn to be based upon "such as the 'discursive turn', deconstruction and post-modernism. Within history itself this transformation is associated with hermeneutics, the 'linguistic turn', and the revival of narrative.... (pg. 331)." Their declared social purpose was also different from that of people such as Wren and Bedeian in that it sought to find new foundations of management history, seeking to make the profession less supportive of management and more supportive of radical ideas.

This broadly postmodernist approach to history has challenged the dominant empiricist model as expressed by Wren and Bedeian. As Novecivic et al. (Novicevic et al. 2015, p. 13) accurately observed in a chapter published within *The Routledge Companion to Management and Organizational History*, "a significant number of management historians" now reject the idea that management history can be written on the basis of "positivist factual truth-claims." Elsewhere in the same volume, Munslow (2015, p. 136) declared that "meanings are fictively construed. There are no lessons in the past." Although such "critical management" perspectives draw on multiple sources – most particularly Michel Foucault, Hayden White, the "amodernist" French theorist, and Bruno Latour – their influence within management history has grown exponentially since 2004 when Clark and Rowlinson published, in Business History, their call for a "Historic Turn" in organizational studies. Admittedly, as Bowden (2018, p. 204, 212) notes, there is a "disingenuous" character to much of the literature that the call for an "Historic Turn" has spawned in that it frequently uses Foucauldian and postmodernist frameworks without acknowledging their source. The original Clark and Rowlinson (2004) article, for example, only mentions Foucault on two occasions and postmodernism on three – despite being couched in what we are clearly Foucauldian ideas. While the movement is inchoate (and contradictory – see Bowden 2018), there is, nevertheless, a deep and resounding skepticism of the empirical history that Wren and Bedeian have published.

The postmodernist approach has its focus on power and, as Richard Evans (1997) expressed it, the ability of those in power to create sustaining narratives that maintain the current power relationships. As Evans has noted, this approach has some of its roots in the New Labor history, where scholars have attempted to provide a voice for the voiceless and attempt to reconstruct as past that had been lost. Yet, E.P. Thompson and Herbert Gutman were empiricists, who used many different techniques to cobble together a forgotten past. However, postmodernists – even those who are not completely devoted it – are skeptical of historical fact. Advocating what they refer to as ANTi-history, amodernists Durepos and Mills (2012, pg. 5) argue that all knowledge is inherently subjective and that research should be primarily informed not by empirical discoveries of past realities but by considerations "as to who benefits from a specific interpretation of the past." A similar opinion is expressed by Hassard, Rowlinson, and Decker (Rowlinson et al. 2014, p. 257) in an article entitled "Research Strategies for Organizational History," where it is declared that there is a "fictive" component in all historical writing. Seen from this perspective, it is power – and the uses and abuses of power – that is decisive in shaping and distorting the nature of evidence, be it in the cause of the oppressed or the oppressors. Postmodernism is skeptical and indeed, sometimes outrightly hostile to most forms of historical evidence (Appleby et al. 2004). Its proponents note that official documents are flawed sources of evidence because they either do not consider all relevant factors or because those individuals in power seek to control the record. Similarly, oral history and memoir are flawed due to the fact that memories are social creations. Within organizations, therefore, it is only the constructed memories of the powerful that endure. Other types of evidence, such as demographics, etc., are deliberately ignored in that reference to such sources mitigates historical explanations built around power and oppression, which postmodernists regard as the real drivers of history. Time periods are also considered artificial constructs that detract attention from the immediacy of power and oppression. In short, there is no evidence, no way of getting to the past, which does not reflect the manipulated social creations of one or more power interests. Accordingly, the narratives that historians create as an intellectual framework are mere fictions that typically support the dominant framework and are examples of power.

These postmodernist ideas *do* have a deep benefit to the profession in that they force us to consider both our methodological roots in a deeper way and the foundations of the field. For example, in Cummings et al.'s (2017) book on management history, it is argued that management historians willfully ignore the contributions of figures such as Louis Brandeis and Theodore Roosevelt and their commitment to liberalism, focusing instead on the production efficiency of

Frederick Winslow Taylor. Elsewhere, Cummings et al. argue that Adam Smith was not a neoliberal icon but rather a believer in the welfare state; that the use of the term laissez-faire in association with Smith is a misuse; that Max Weber was not primarily focused on bureaucracy; that management ignores its deep relationship to chattel slavery; and that historians (most likely Wren) have cherry-picked the evidence to provide legitimacy to the field of management.

At its best, therefore, the postmodernist approach forces the traditional scholar to focus on questions and issues that we have ignored. One of the particular strengths of postmodernist research in management is that it forces us to puncture many of the myths that surround our profession such as the sanctity of the scientific method and the peer review process. The myth goes that management scholars hypothesize based on theory, collect data, analyze data, and then provide a write-up. This is often not the case. Hypothesizing after the results are known is more common than we care to admit; we cannot even define one of key terms, theory; and the peer review process probably rewrites manuscripts more than we are prone to admit. We also tend to believe that methodological problems only exist when they appear to be a myth or a gross overstatement; we perform statistical analysis when none of our survey methods are random; we often do not test the theory as intended. This is to say nothing about the lack of common definitions on basic terms such as job satisfaction and strategy.

Yet, despite the above strengths, postmodernism turn is rife with problems. One of the issues that the new management history does not solve and, indeed, exhibits the same sin is how management history is taught to students. To really make the past alive, to make it relevant to the business student, is one of the most difficult aspects of education. I believe that despite the changes they make to history, they do not bridge this issue. Indeed, their embrace of postmodernism would appear to be anathema to the business student who prefers empiricism. From my observation, undergraduate business students typically want facts and practical application. They do not want long debates on the issue of subjectivity and power. Instead, the vast majority appreciate the essential role that management plays in both the individual business and the economy at large, matching supply with demand and instigating the efficiencies that engenders increased wealth from fewer resource inputs. Accordingly, it is not only a matter of the obscurantist postmodernist writing style annoying the typical undergraduate and frustrating the master's student with concepts that are difficult to relate to practical problems. It is also the case that postmodernism seeks to actually destabilizing management as a concept. Although some may concur with such a "deconstructionist" action, I take an opposite position, agreeing with Bowden (2018) that "modernism" (i.e., our modern industrial society built around free enterprise) and management (i.e., the mechanisms for maximizing the potential of free market societies) need to be defended as both sources of wealth and freedom.

Another problem is that there is really nothing new or original within postmodernism. Rather, it is a simply more radical reiteration of the relativism practiced by Carl Becker and Charles Beard, two past Presidents of the American Historical Association, during the 1930s. As with today's postmodernist, these two historians "mocked the notion that the facts speak for themselves" and dismissed the "objective reconstruction of the past" as "a vacuous ideal" (Novick 1988, p. 293). Theses relativists from the 1930s also resembled today's postmodernist in arguing that the constraining influence of wealthy donors limited the objectivity of history; that activist practitioners dominated the field in the interests for the status quo; and that the field was dominated by Anglo-Saxon Protestants who left little place for the "professional historians of recent immigrant background, none [for those] of working-class origin, and hardly any [for those] who were not Protestant" (Novick 1988: 61; 68–69).

Looking back, it is not surprising that relativism would come to dominate after the First World War as God died in the mud in Flanders Field. Much like the post-Civil War generation, this generation found all Gods dead and that there were no absolutes and little to die for. *Goodbye to all That* was the mantra for those that survived the war. It is not surprising that postmodernists such as Foucault would reject both Marxism and capitalism and in the process adopt a largely nihilist philosophy. The post-Cold War world has become the age of fracture, where shared meanings and viewpoints are falling apart, where structures no longer seem to hold, and where – despite the best attempts of society – racism and sexism remain constant and permanent (Appleby et al. 2004). There are no sunny uplands. A "postmodern" view is also found in the work of Thomas Kuhn, who suggests that science is driven by social factors and not scientific facts (Appleby et al. 2004). A "Kuhnian" view can thus be seen throughout the postmodernist literature in that historical narratives are socially constructed.

Another problem with the new management history is that it ignores the most salient force of history: time. One particular question if we eliminate time periods, how can we organize history? This would be akin to eliminating chapters in a book, stages in a play, or yards on a football field. Time periods make history understandable and approachable. Likewise, whereas from a certain (generally accepted) perspective, we perceive two boxers in the ring as two separate entities, an alternate reality, using quantum mechanics, suggests that the boxing match is merely a single concept, as they are merely two sets of molecules colliding in a vast empty vacuum. Of course, if we say that they are the same, and that Ali and Frazier were the same entity, we would be laughed at any sports bar or pub. One way to consider is whether the First World War and the Second World War existed in a meaningful sense. From one perspective they are the same – featuring a revisionist Germanic state – seeking to overturn the old imperial world of Europe with a new imperial world. Therefore, from this perspective, the Kaiser was merely the dress rehearsal for Hitler. Of course, there was a vast difference between the Kaiser and Hitler. Ignoring the difference between the two wars is to say nothing of the relative rise and decline of powers such as Great Britain, the United States, France, and Russia/Soviet Union. Despite the artificial nature of time periods, they are useful and accurate devices to describe the past.

The largest problem with postmodernism is that it can lead to the denial of known facts. Gordon Wood, winner of the Pulitzer and Bancroft prizes, one of the great historians of his generation, and the top historian of the early American Republic, has stated that a postmodernist would have a difficult time stating that a Holocaust denier is wrong, because one historical opinion is as valid as the next (Wood 2008).

Wood's argument is thus similar to that of George Orwell, when he points to the fallacy of an insistent belief that 2 + 2 = 5. Rather than leading to a broadening of approach, such arguments merely result in error. As Appleby et al. write, "Postmodernism renders problematic the belief in progress, the modern periodization of history, and the individual as knower and doer." History becomes nothing more than another measure of control. Worse still, since history is subjective, we can change history to suit our needs since there is no "reality," only our poor ability to describe it. Hence that is the reason why Taylor is now socially responsible.

ANTi-History

ANTi-history is one of the most ambitious attempts by management historians and historians in general to develop a framework to describe how history is made (Duperos and Mills 2012). Their ambitions are justified in many ways. I have a real appreciation for it – even if I feel that take their arguments too far. ANTi-history argues that knowledge is the product of actors and networks, whose actions determine how people see the world. Therefore, since history is a product of actor networks, it is necessarily subjective. Accordingly, written history is nothing more than a story that supports the needs of the actor networks. This line of argument suggests that as the actor network changes, therefore, history changes – making the past immutable and history subjective. Consequently, there is little in the way of facts and evidence. Instead, what we have are merely the mental images and justifications of those in the network.

Duperos and Mills have written a very interesting and useful framework. Unlike other postmodernists they address some of the key problems with postmodernism by positing that history is necessarily subjective and that the historical record is a fusion of the authors network – a network which includes archivists, other historians, and the public. In addition, the historian has within their network the actual historical figures who impact upon the historical record on the basis of their actions. For instance, in their chapter on the removal of German emigres from an airline that Pan Am had control over, Durepos and Mills correctly demonstrate that historical actors *can* transform the narrative to fit their political needs. I believe this framework has great utility for use in certain types of archives, most particularly corporate archives. In fact, I believe that the approach advocated by Durepos and Mills is a necessary and essential one for those examining the inner workings of how corporations save records.

Yet, despite its strengths I do have two issues with the ANTi-history. Firstly, I find the level of cynicism to be extremely high. I would not say that Duperos and Mills have a conspiratorial view of the world, but it is close. Namely, I would dispute their view that archivists can influence the historical record in a negative fashion. My experience of archivists is that they wish to maintain the historical record as it was – the warts and all. Perhaps, my experience is shaped by dealings with government or academic archivists (rather than corporate). But I believe that it would be a gross dereliction of their responsibility and professional ethics for any archivist to manipulate the archival record. And I doubt that any significant number resort to such unethical behavior. Secondly, I believe that the handling of certain issues by Durepos and Mills – such as the removal of Germans from Pan American's subsidiary – does not fully consider the historical record. I could buy into the fact that Juan Trippe would act opportunistically by removing the pilots to maintain control. Yet, I believe there is a shade of gray: American military leaders were concerned, even during the 1920s and 1930s, with the rebirth of German might. Given how closely aligned air industry was to the military (and how closely Trippe worked with the government), he would have acquiesced (one suspects) to the viewpoint of the American government and military.

Perhaps more troubling is that historians have been using this type of framework (i.e., one that gives primary to actor networks and interests) for years. When I was an undergraduate at Gettysburg College many years ago, we read two differing frameworks of the Reconstruction written by two different authors. The first was written by a Hilary Herbert that was highly critical regarding many Reconstruction policies; the second was written by Kenneth Stampp that was favorable and wished that Reconstruction had worked. Herbert had fought in the Civil War on the Southern side, was from South Carolina, and had opposed racial integration. Stampp was a Northerner from Wisconsin, who came from a family with strong progressive tendencies. He also wrote during the 1960s, which some have called the Second Reconstruction. The lesson was when reading history, consider the historian. I never read history the same way again. However, scholars have been aware of this type of technique for years. But, Durepos and Mills do provide a theoretical framework.

But even more troubling is that there are times when the actor network theory does not hold. In fact, there are numerous times when people go against their network (Lukacs 2011). One particular example would be the experience of Ronald Radosh (2001). Radosh was what is known as a "red diaper" baby, meaning that his parents were members of the Communist Party of the United States. Party members were devoted to the party: they lived together, worked together, and socialized together. They also had articles of faith. These articles of faith could not be questioned. To be a communist meant that your life's values were determined by Moscow. One of those articles was that the Rosenbergs, the atomic spies, were innocent of the charges brought against them. Radosh's memoir recounts how this fact was pounded into him as a young man. But Radosh rebelled: he abandoned the party and became a member of the New Left. When Radosh started writing the major study on the Rosenbergs (with Joyce Milton), Radosh came to the conclusion that they were guilty. Radosh wrote this knowing that it would completely lead to him being ostracized in the academy. How would ANTi-history explain this? There was little in Radosh's network that would suggest either his level of honesty or his willingness to break with previous beliefs. However, these are mostly quibbling. I think this framework could be used to describe how traditions emerge.

Other Histories

Two additional histories I would like to discuss are Gerard Hanlon's *The Dark Side of Management* and Morgen Witzel's *A History of Management Thought*. Hanlon's (2015) book is written from a critical even Marxist perspective and builds on

Reinhard Bendix's work, *Work and Authority in Industry*. Like Bendix, Hanlon proposes that management thought is highly ideological and contentious in nature. But Hanlon goes further in that he argues that the central purpose of management is to alter social relationships so as to shift money from one class to another. Management is not about wealth creation, efficiency, or effectiveness. Rather it is a "political endeavor" whose purpose is to modify social relationships so that market-based solutions, competitiveness, self-care, and individualism run paramount. Hanlon also argues that management is necessitated by labor's refusal to bend to capitalists, necessitating managerial action to circumvent or undermine this refusal. It is from this perspective that Hanlon contemplates the policies and understandings of Taylor, Mayo, and Ford. This is an interesting perspective and one that I am sure will gain great esteem in management critical studies.

Let me state that I disagree with Hanlon's framework. That being said, he does such an artful job that I could see and understand his perspective. For example, I agree with him that concepts related to market wages, utilitarian work values, monetary incentives, and individualism were not originally part of the typical worker's perspective. It took political and social movements (one of which management is one) to bring workers to the perspective of modernity. I also agree that we should consider worker perspectives more fully when we write about various management interventions. I would also agree that management is a form of social control – something that management scholars are often not unware or, if they are aware, something that they prefer not to be aware of. I also believe that he has some apt things to say about the relationship between Taylorism and Mayoism: in that Mayoism could be seen as an extension of the former.

I find, however, his arguments to be unconvincing. In large part this is because Hanlon views every action taken by a manager with a degree of hostility. It has long been noted that managers were often racist and unwilling to hire African Americans. Henry Ford did that – he seemed to be unbiased in hiring even if he did primarily hire African Americans to dangerous jobs. Yet Hanlon seems critical of this, noting that Ford hired immigrants and African Americans due to the fact that native-born Americans were generally reluctant to work on Ford's assembly lines. In addition, Hanlon is selective in his use of evidence. He cites with approval Bell's and Moore's criticisms of the Hawthorne studies, but he never cites or discusses whether or not those criticisms were fair or not. It is difficult to see, in reading Mayo's writings, a justification for Hanlon's view that Mayo was really adjusting "man to machine." What Mayo was more likely trying to do was to discover what managers could do, besides contracts and government action, to promote spontaneous cooperation and reduce the amount of labor upheaval at the time. Likewise, it is difficult to envision how worker resistance leads to wealth. Anyone familiar with the work on counterproductive work behavior would understand how false that statement is and that worker resistance leads to exceptionally high costs to business. In addition, it is a facile argument that management is blind to the dark side of management – there are a consistent series of books, articles, and other materials about management shortcomings.

Lastly, Hanlon is critical of two aspects of management. The first is management's claims to scientific objectivity, and the second is the claim that management promotes hierarchy. In terms of management's claims to scientific evidence, it is true that Taylor's work, although it had the residue of science, was not as scientific as he claimed. Likewise, scholars have noted for years the problems of the Hawthorne studies. Yet, research is driven by empirically testing theory, measurement, and evidence-based research. Although, there are quibbles regarding management research (we could be much better on replication), we do try to use scientific methods in gathering research. If anything, management scholars are aware of the vast complexity of research – hence the strong field of contingency management. Likewise, I am baffled by the claim that management is based on and promotes hierarchy. Yes it does, but I could not think of a society, except for maybe some ninetieth-century utopian societies, where there was not a hierarchy. In fact, modern management probably is a better hierarchy since there are systems that promote meritocracy. I am not sure if Hanlon promotes a romantic view of the past or the future in that there are no power differences.

Morgen Witzel is the author of *A History of Management Thought*, a work which, I believe, provides the best survey of management thought outside of Wren and Bedeian. Witzel is in many ways a bit of an outliner. He is more of management consultant and practitioner than he is an academic, although he is a fellow at the University of Exeter. I find Witzel's work to be an interesting addition because he asks the question that I have been wondering for a long time – when did management move from an applied science to one based on theory building, data mining, and nonpractical results? Witzel has proposed that beginning in the 1890s, when management started to emerge, the new profession of management was desirous of the professional respect enjoyed by law, medicine, or accountancy. This societal respect has, however, not happened. It has not emerged. Instead, management finds itself disrespected, without honor. Even some of its best thinkers, such as Jeff Pfeffer, decry the lack of respect of management in the field of social science. Witzel argues that part of the problem is that management is ignorant of its past, it does not cite seminal articles of the past, or, if we do, we do not read them.

Witzel also proposes that management started to lose its way during the 1940s when the Carnegie School (i.e., a school of management thought identified with academics from the Carnegie Mellon University in Pittsburg) emerged to challenge classical management. What is notable is that the Carnegie School provided one of the first, sustained attempts at theory development by academics for academics. While Elton Mayo was a member of the Harvard Business School, he addressed actual managers more than he did in academics. His associate Fritz Roethlisberger was similar, although he had more of a foot in academia. George Homans, another of Mayo's students, moved over to sociology, where he developed theory. Yet, Carnegie was firmly entrenched in academia and taught business, as William Starbuck noted, as one would teach physics. Despite all the praise that Herbert Simon, Richard Cyert, and James March gained, however, there is also some justification in the criticism that they started us down the road of abstruseness.

I like Witzel's approach as he writes like someone who is heavily engrossed in the field in terms of both research and practitioners, unlike Wren and Bedeian, who write in a more scholarly way. I disagree with Witzel. I believe we do not cite historical arguments, because it would reveal that the emperor has no clothes – most of what we research today is impractical or similar concepts restated. Modern management is more precise and scientific, but have we, in any way, advanced the tools that manager's actually use? Would someone who is a manager notice a real difference between self-determination theory and two-factor theory? Likewise what would a manager say about some of the insights that we have produced? For example, one suspects that most managers would say that the supposed theoretical insight that resources are a source of competitive advantage is something that is self-evidently obvious. Similarly, would a practicing manager care about the various amounts of vocabulary/theory building and item analysis that we do? I am not sure a manager would be impressed by this. Nicholas Butler's famous statement rings true: "An expert is one who knows more and more about less and less until he knows absolutely everything about nothing." Significantly, those management thinkers, like Michael Porter, Tom Peters, and Peter Drucker, who have attempted to move past and offer applied evidence, are often attacked.

I do have a couple of quibbles with Witzel's framework. Firstly, he does not cite many articles from the *Journal of Management History* and other academic journals. For instance, if he wrote about John Hassard's work on the Hawthorne studies, he might have a differing perspective. Likewise, his perspective on certain issues would change if he read more about the contextual history in which management occurred. For example, was the Progressive Era more about constraining markets or about setting them free? Probably it was both, depending on what vision of progressivism someone adhered to. Likewise, while he mentions the importance of the Second World War on management, he fails to sufficiently reflect upon the esteem which wartime managers were able to garner. If he did, he would note that management's current low status was not always apparent. Likewise, he overstates the amount that Henry Ford borrowed from scientific management. Indeed, some Taylorites did not believe that Ford used scientific management at all. In fact, given that Ford did not read much, it makes sense that he may developed something similar on his own. Lastly, I believe that Witzel protests too much about management's status. Again, who are we less prestigious compared to? Management academics typically make more than economists, sociologists, and psychologists. Although we are not as highly compensated as accountants, the demand for accounting has exploded over the years due to the regulatory environment. Accounting research is also difficult to undertake. Likewise, the demand for operations management has waxed and waned. Although management as a discipline maybe on the downside, new challenges are always emerging to provide opportunities for those scholars who are intent on solving them.

Myths

We consistently hear the term myth regarding management history. We hear about the myths of Taylorism and Hawthorne studies. In fact, some scholars concede that both myth and historical reality can often contend with each other. Mainstream history is characterized by a similar dichotomy. Our memory of Lincoln is often very different from what actually occurred. One particular reason is that we use Lincoln as a perspective to determine an answer to the question: What is America? What America should be? What should we as a society to be based on the ideals of Lincoln? As David Donald (Donald 1956) has noted, politicians often try to get right with Mr. Lincoln. In this case, history serves as a common framework, a useful myth to rally society (Peterson 1994). In scholarly professions, we often use myth as a means to provide us with a sense of legitimacy. Management has sought – over the years – to seek legitimacy through several different methods, the use of theory building, the scientific method, and practical application to provide us with a sense of legitimacy (Pfeffer 1993). As a new field, we have status anxiety and envy toward other more established fields. This is a common trend throughout science. Economics has envy of physics and sociology as an envy of economics (Steinmetz 2005). In fact, scholars such as Jeffrey Pfeffer (1993) have bemoaned the lack of a clear paradigm in the field of management, noting that we are losing ground to other business fields.

We have also used myths to provide legitimacy as well. Perhaps, it is the reason why managers start the process of management with Frederick Winslow Taylor, rather than such flawed figures as Henry Ford, whose violent anti-union policies and anti-Semitism made him a comprised figure (Lacey 1986). Perhaps, had Ford died in 1918, soon after his electoral defeat, when he was compared to Moses, we would have used him as a model. Yet, we also focused on Taylor for reasons that were historical as well. Namely, that Taylor appeared at the right time and place for management to emerge as a distinct field. A check of how Taylor inspire thinkers is clear. While there were other efforts to understand social man, the Hawthorne studies were the study that inspired scholars to reexamine the field to consider the role of social motivation in terms of economic motivation. Likewise, checking a listing of citation numbers would reveal what contemporaries believed about the Hawthorne studies and how it inspired thinkers (Muldoon 2012). It is important to note, therefore, that the complexities of history usually do not lead to a ready reduction.

To debunk myths, management historians often create strawmen. Wrege and Perroni argued (pg. 26) that scholars should “think to look at the idol early enough in the game to discover that it had feet of clay before it was hoisted onto a pedestal.” I am curious as to how we answer the question in management: who do we idealize? One of the favorite targets has been the Hawthorne studies. Firstly, scholars have, for the last several years, pointed out that the Hawthorne studies were poor methodologically, that they proved nothing, and that Mayo had a biased viewpoint (Gabor 2000; Hassard 2012). Secondly, we have also been told that that the Mayo did not discover “social man” and that its discovery had been researched many years before.

These concepts were not therefore alien to people who wrote at the time the studies gained fame. In addition, the argument that welfare capitalism and human relations were similar concepts is something that is objectively false (Wren and Bedeian 2018). If anything, welfare capitalism encouraged worker revolt – which human relations attempted to solve. The question should be: why did the Hawthorne studies gain prominence?

Of particular impact on the field has been the work of Charles Wrege. Wrege is the one historian that postmodernists and traditional historians can all say a good work about. There are many positive things that could be said about his work and him as an individual. He was never too busy to help younger scholars and never too satisfied to just accept established facts. As a historian, Wrege was an empiricist who would be willing to cross an ocean to verify a comma. Postmodernists respect him because he challenged norms. Wrege was, in some aspects, a model scholar. In other ways, he was not. Wrege spent too much time trying to gather truth that he saw the world in black and white and in the process produced, in my opinion, non-judicious history. Wrege was so driven to criticism that he not only lost sight of the forest, but of the trees as well, focusing on branches. I am not sure if Wrege was the one that introduced the practice of calling history myth or the ongoing hunt for originality – but he certainly contributed to these trends in the field.

Wrege's work on Taylor exhibits this sin. Whenever there is an issue with Taylor's account, Wrege automatically denounces Taylor as a scoundrel. For example, Wrege and Stoka call Taylor a plagiarist, but they overplay their hand. Morris Cooke did write some of the *Fundamentals of Scientific Management*. But it was based on a speech that Taylor gave. So it was Taylor's ideas, with Cooke as a contributor or to use a phrase, a ghost author. Taylor also published his book with Cooke's knowledge and consent, even offering to provide royalties to Cooke. Hough and White point out that it was Taylor's ideas and published under Taylor's name. Taylor was the author in the "true sense" in that he assumed responsibility and was published using his authority. Taylor was not publishing an academic paper but was relaying a story using memory devices that make a connection with previous knowledge. Martha Banta makes a note that Taylor's stories served as a way of passing the principles of scientific management through a narrative device. They were a selling point – not a scientific paper.

Often times scholars point out that there is no Kuhnian paradigm in management history, noting that scholars have had different takes on issues related to Taylor (Novicevic et al. 2015). Some view it as a myth; others view it as a good viewpoint. Of course, neither history nor science ever reaches a consensus on many issues. Despite the protective powers and validity of intelligence testing, there are still scholars that challenge the conventional viewpoint. Likewise, despite the evidence, there are still people who believe that the earth is flat. In fact, scholars often impose consensus on other scholars through control of journals and funding in the field. Yet, even if there is a consensus, there can still be divergent voices.

The question of originality has been an ongoing issue since at least the time of Hoagland (1955), whose article pointed out that Taylor's work had been preceded by Charles Babbage. We are also pointed to the fact that there were many antecedents to the work of Fayol and others over the centuries. One of the most recent tendencies has been to try to find origins of concepts – even among those long forgotten figures who were not management thinkers. While this searching for intellectual roots has long been the domain of traditional scholars, the postmodernists have taken this issue to the extreme. If we believe that history is completely fictive, then we can cut history to fit any fashion we desire. Meaning that we can select historical figures that fit what we regard as modern values, distorting the historical record. This would exactly the thing that Winston Smith did in Orwell's *1984* when he changed history by distorting the war records of Oceania and eliminating unpersons.

Conclusion

At present we are at the crossroads in management history. The dominance of the LSU-Oklahoma is ending. Both Wren and Bedeian have retired from teaching, meaning that there are no new students. The postmodernist school, with bases in Europe and Canada, seems to becoming more and more popular. What the postmodernist school is doing is ripping up many of the established nostrums, challenging many of the standards of traditional management history. In part it does this by noting that history goes beyond the great man model and by considering different voices. Of course, such postmodernist approaches have been tried in mainstream history – with disastrous consequences. As postmodernist influence has increased, so has the field of history in the United States (and elsewhere) witnessed a gradual decline of majors, interest, and relevance to modern life. Most academic history today is jargon-laden works of figures of little historical importance that has little relevance to ongoing debates in politics and the society at large. By contrast, the 1950s witnessed the likes of Arthur M. Schlesinger Jr., C. Vann Woodward, and Richard Hofstadter, each of whom provided works that informed the political culture of the 1950s. If we cannot understand the past, then why should we research it? If the figures of the past, with their brilliance and stupidity, nobility, and venality, have little to teach us, why study it? Winston Churchill, himself a great historian, always urged aspiring statesmen to study history so they could understand the present and the future. Churchill himself understood that his historical writings provided himself with a unique understanding of the present. For example, his writings on his great ancestor the Duke of Marlborough provided him with an understanding of two things. One, a person could be dead politically (as the Duke and Churchill were), and events could resurrect them. The second was that Marlborough's struggle against one would-be tyrant (Louis XIV) provided Churchill an understanding of Hitler that his contemporaries did not possess.

This is the crux of the matter – perhaps the one issue modernists and postmodernists can agree upon – that management needs to understand its past in order to improve its future. History teaches us that commonly agreed upon ideas – the best wisdom – are often wrong and that there are few Solomons out there. It also teaches us that history often repeats itself, especially in the social sciences, where common models wax and wane upon importance. If professional maturity is a gift, according to Bedeian, then it is treated like a pair of socks. We need to understand our field's past to understand its future. Yet, the inability of postmodernism to consider even basic facts damages the prospect for consideration.

At present, we are witnessing some contentious debates about management history. This is a good thing. It suggests that as a field we are growing, becoming mature, and perhaps gaining a greater degree of acceptance in the field. In many ways, management scholars do not study the past as much as they should. What they do learn is often inaccurate, simplistic, or an outright canard. Right now there is a dearth of management historical education in the United States, perhaps in other countries as well. When scholars do study, it is usually just Chap. 2 in principles of management textbook. Perhaps this is why we have so much of the "Columbus syndrome" in management in that we often rediscover what has been researched. The phrase old wine in new bottle is an apt description.

However, there are better and worse methods to research the past. Some such as postmodernism seem to offer some theoretical or reasoned approach. However, postmodernism is actually in decline in mainstream history and even literature. Would this approach gain increased respect in a field that is devoted to empiricism? I have serious doubts. In addition, this approach is dangerous in that we can play with facts to create narratives that support our own understanding of the past. In the *NHM*, we have learned that Taylorism was about conservation, a point that has been missed by a generation of historians, who have written extensively about the efficiency movement and scientific management. The *NHM* did so, because they wanted to make it seem that management has always been socially responsible. If they could make that change, what else could they do? History is not mad libs. We are constrained and bound by evidence. We cannot speculate or stretch the evidence to fit our world view. There is a reason why George Orwell made Winston Smith a historian of sorts.

Likewise, writing history without timeframes is difficult and perhaps even impossible. Timeframes do not emerge from the blue. Rather they emerge from a historians' consideration of events. Usually, these emerge with little difficulty. For example, if we were to write a world history, from 1945 until 1991, we would dub this period the Cold War, due to the confrontation between the Soviet Union and the United States. Likewise, in management history, we have clear lines, periods in which certain ideas are in fashion and others are not. That being said, one of the minor weaknesses of the Wren framework is that the current period is not as well developed. I believe examining Witzel's work would be beneficial, in that the obvious divided would be the separation between academics and practitioners.

Some scholars have urged that we adopt a Marxist perspective of management history. This type of approach would downplay biography and focus on structural and situational cues that are usually economic in nature. For example, a Marxist would analyze and argue that management is the result of various economic contingencies that have impacted society. The spread of the industrial revolution and the demand for coordination meant that managers were needed to handle the size of various corporate behemoths. While this analysis is correct, it does not explain either the innovator or why nature of the discovery. For example, Taylor tended to focus on the most menial tasks with the dimmest of workers. “Schmidt,” an ethnic and social stereotype created by Taylor, is not just a story device; it is also emblematic of a man with a deep bias against the lesser type. There are numerous disparaging remarks about Italians, Hungarians, and African Americans throughout his work. Taylor’s heavy handiness prevented him from getting greater acceptance. Had he been more accepting and flexible person, his critics would have been lessened. Likewise, Mayo’s inability to write for the academics, the lack of clarity in his thought, and his unwillingness to explain himself to his critics limited his appeal. Scholars in management history are focusing on critical biography and focusing on how factors influence scholars. A pure Marxian approach would have limited the appeal.

Cross-References

► Debates Within Management History
► What Is Management?

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Part III

Work, Management, and Economic Organization in the Pre-modern World

The Pre-modern World and Management: An Introduction

6

Bradley Bowden

Contents

Abstract

In this introduction to our section on pre-modern management, the central question that is addressed is the following: were ancient and feudal managerial systems comparable to those found in modern, liberal-democratic societies? The answer to this question is "no." For although pre-modern forms of management were characterized by the attributes described in most textbooks (i.e., planning, organizing, leading, controlling), they lacked other characteristic features of "modern management." Pre-modern production was rarely directed toward competitive markets. Mass markets were even more uncommon. Instead, the tyranny of distance, and a reliance on either muscle power or wind in terms of transport, restricted most production to local markets. An absence of competitive markets meant that pre-modern managers were little concerned with costs. Pre-modern managers also differed from their modern counterparts in that they typically operated with few of the protections of both property and person that are the norm in today's democratic societies. In the past, unfree forms of labor were also commonplace. Due to a lack for smelted metals, pre-modern managers and producers also lacked durable capital equipment. This weakness manifested itself in both low levels of capital intensity and energy usage. Such failings, in all

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pre-modern societies, resulted in living standards inferior to those of our own. Nevertheless, for all its failings, "modern management" owes its success to the travails of past managers. In looking to the past, therefore, we need to both acknowledge our debt to bygone eras and recognize the advances built on past sacrifices.

Keywords

Pyramids · Management · Antiquity · Ancient technology · Medieval technology · Inequality · Climate change

Introduction

In addition to being the Editor of this *Palgrave Handbook of Management History,* I also have the privilege of being the Editor of the *Journal of Management History.* Recently, the journal published a thoughtful and well-written article by Chris Proctor and Mark Kozak-Holland, entitled *The Giza Pyramid: Learning from this Mega-project.* In this article, Proctor and Kozak-Holland (2019: 366) made the following point that I believe most people would share: "The construction of the Great Pyramid of Giza still stands as a testament to effective project management." Later they extend this praise of the managerial expertise of ancient Egypt to the economy more widely, noting how the Egyptians "managed projects for the diversion and construction of water, building canals and irrigation ditches, flood water basins, water supply tunnels, water purification and even sanitation systems."

Before endorsing the view that Ancient Egypt and the other societies of antiquity (Mesopotamia, Athens, Sparta, Rome, etc.) boasted managerial systems comparable to our own, however, let us first ask ourselves a number of basic questions. First, did the Ancient Egyptians produce – as modern managers do – for a competitive market economy? The answer to this question must be "no." For although the Ancient Egyptians, like peasant farmers everywhere, would have exchanged local produce at a "farmer's market," the prices charged in this market would have reflected little more than the seasonal balance between supply and demand. Food prices would have been dearest immediately before the harvest and cheapest immediately after it. Handicraft items (clothes, beer, basic tools, etc.) would have been made either at home or by a small number of "artisans," who would have charged according to custom-and-practice. Yes, there would have been some long-distance trade. However, we should not exaggerate the scale of these exchanges, given that Ancient Egypt always suffered from a chronic shortage of base metals (tin, copper, iron, etc.) that were neither available locally nor imported in significant volumes. Similarly, the famed construction projects of Ancient Egypt (the Pyramids, the great temples, etc.) reflected no market-driven need. These were, instead, state-funded (and tax-financed) endeavors. The same principle applies to the other great projects antiquity, such as the Athenian Pantheon and the Roman aqueducts.

The second question that we need to ask ourselves, which follows from the first, is: Were the Ancient Egyptians (and the other societies of antiquity) cost-efficient, marshalling resources to achieve production outcomes at the lowest possible cost? The answer to this question must also be "no." Vanity projects such as the Great Pyramids were built *regardless* of the cost. That costs *should* have factored in their thinking was evident even in antiquity, the Greek historian, Herodotus (c. 446 BC/1954: 179), left wondering as to:

> . . . how much must have been spent . . . on bread and clothing for the labourers during all those years the building was going on – not to mention the time it took . . . to quarry and haul the stone, and to construct the underground chamber?

In Herodotus's opinion, the cost of the Great Pyramid must have been disproportionate to any benefit, Herodotus (c. 446 BC/1954: 178) concluding that its construction would have "brought the country into all sorts of misery." If for a rational Greek like Herodotus the construction of the Great Pyramids was an act of lunacy on a grand scale, it is nevertheless also true that the Greek and Roman understanding of costs never progressed beyond cash expenditures and measures of physical output. Perhaps the best insight into the thinking of arguably the most cost-obsessed producer of antiquity is found in Cato the Elder's *De Agricultura*, the oldest surviving text on farm management. In reflecting upon the operation of a slave-staffed *latifundia*, the basic unit of production in the western half of the Roman Empire, the most insightful observation in terms of cost-efficiency of Cato the Elder (c.160 BC/1913: 25) was found in his advice that *actual* farm output should be matched against *possible* output, given the number of days in which inclement weather restricted work. Beyond this, Cato's ideas on cost-efficiency involved curtailing cash expenditures to the bare bones, Cato (c. 160 BC/1913; 37) suggesting that slaves only be supplied with "a smock and a cloak every other year." There was little thought given to modern concepts such as capital depreciation, "good will," and the value of inventories. There were certainly none of the basic tools of modern cost management, such as double-entry bookkeeping.

A third question that demands our attention in comparing the managerial systems of Ancient Egypt, and those of antiquity more generally, with those that exist today in liberal, democratic societies is one relating to capital intensity, namely: did the societies of antiquity utilize labor-saving technologies in an economically significant way? Once more the answer must be "no." In addressing this question in relation to Ancient Egypt, I observe in the first chapter in this section, ▶ Chap. 7, "Management in Antiquity: Part 1 – The Binds of Geography," that "Even though Pharaonic Egypt's agricultural richness depended on its ability to channel water into irrigation ditches once the annual Nile flood had receded, there was little inventiveness shown in tackling this problem." Only under Hellenic kingdoms of the Ptolemies did the fields witness the use of high-capacity waterwheels and the "Archimedean" water screw. Prior to this Egypt relied on labor-intensive bucket and pulley systems to shift water from the Nile to the irrigation ditches (Wilson 2002). Even in the High Middle Ages (1100–1340), when the use of windmills and water mills became commonplace, we should not exaggerate the extent to which machine power replaced human and animal muscle power. To the extent that people had a choice of work in the feudal world, it typically involved, as Braudel (1986/1990: 676) noted, a choice "between equally backbreaking kinds of work." The low level of capital intensity in both antiquity and the feudal era reflects, in large part, a dearth of metals, most particularly cast iron. None of the societies of antiquity boasted a capacity to work cast iron. In medieval Europe, the great herald of economic progress – the village blacksmith – only appeared in the villages of northern France around 1200 (Cipolla 1981: 170). Consequently, a large part of the reason that the ancients showed so little interest in production costs is found in the fact that most of their tools and equipment – ships, plows, spinning wheels, weaving frames, and waterwheels – were made of wood. As a result, "capital" investments seldom lasted. Marine borers ate wooden ship's hulls. Spinning wheels and waterwheels broke, requiring constant repair and replacement. Often, business operators concluded that they were more trouble than they were worth, Cato the Elder advising his readers to avoid rural properties with many tools and much equipment. For, Cato the Elder (c. 160 BC/1913: 22) concluded, "When you find few tools, it is not an expensive farm to operate."

One of the distinctive features of modern management systems is that they deal with legally free workers, Sidney Pollard (1965: 6) observing that management's commitment to a legally free workforce during the Industrial Revolution was "one of its most seminal ideas, underlying its ultimate power to create a more civilised society." Is it also the case that in looking to the construction of the Great Pyramids, and the other economic activities of antiquity, we witness the mobilization of free labor forces? On this front, our answer must be more nuanced and equivocal than was the case with our first three questions. In antiquity, most of the population were legally free peasant farmers and self-employed artisans. Slavery was, however, commonplace in much of the Middle East. In late Republican and Imperial Rome, it became the norm, Appian (c.120/1913: 7) observing how in Italy "the race of slaves multiplied throughout the country, while the Italian people dwindled in numbers and strength, being oppressed by penury, taxes, and military service." Although we (rightly) associate Periclean Athens and classical Greece with democracy, slavery was also normalized in these societies. When, for example, the city-state of Mytilene rebelled against Athens during the Peloponnesian War, the great Athenian democracy initially voted to massacre "the entire adult male population . . . and to make slaves of the women and children." Subsequently overcome by compassion for the Mytilenians, who shared in Athens's commitment to democracy, the Athenians relented in their sentence, only massacring 1000 adult males (Thucydides, c.411 BC/1954: 212, 223). Similarly, when the city-state of Plataea – whose soldiers had fought to the death alongside the 300 Spartans at Thermopylae – sided with Athens, the Spartans killed its males and sold its women into slavery when the city fell into its hands (Thucydides, c.411 BC/1954: 235). Across the world of antiquity, as a general rule of thumb, the larger the project, the more likely it was that it would be undertaken by unfree labor of one sort or another. The Egyptian peasants who built the Great Pyramids may not have been slaves, but nor were they truly free, gifted the ability to choose whether to work on the pyramid's construction or not. In Imperial Rome, the roads, the aqueducts, and the Colosseum were all slave-built. In marshalling this unfree workforce, no doubt, a level of ruthless "managerial efficiency" was typically displayed. Cato the Elder (c. 160 BC/1913: 25), for example, advised that a properly run farm should sell off as soon as possible "the surplus wine and corn, the old cattle, the worn out oxen ... [and] the old and sick slaves." Remunerative as such an approach may have appeared, is it one that has any resonance in modern management systems? I think not. Yes, it is true that modern businesses make staff redundant when there is no longer any economic need for their employment. However, this is very different to discarding one's slaves as if they were old wine or corn.

In looking at past management practices, there is a natural tendency to emphasize what we have in common with bygone systems of organization and work, rather than highlight the things that we possess but which they lacked. Among the things that the manager of early nineteenth-century Britain, Belgium, or the United States possessed, but which were totally absent in antiquity, we can include the following: cast iron, mechanical clocks, compasses, printed books and manuals, a largely literate workforce, steam power, and a host of mechanically powered machines. Also present in the Industrial Revolution (i.e., 1750–1830) were a range of legal protections and rights that either fully or partially absent in antiquity: protection of property from the arbitrary exertions of princely authority, freedom of expression, liberty of conscience, personal freedom to choose one's occupation, and employer. This is not to say that these technological, sociological, and legal attributes suddenly sprang, unannounced, from the soil in 1750. Rather, they represented the accretions of the centuries, a process of accumulation in which gains were sometimes sudden (i.e., the Gutenberg printing press of the 1450s, the first Newcomen steam engine in 1712), but more often the result of the reflection and/or tinkering by unknown artisans, peasants, and scholars. To the Mesopotamians of antiquity, we owe the foundations of Western principles of mathematics. To the people of the Middle East, we also owe the potter's wheel and wheeled transport. We are in debt to the Phoenicians when it comes to our traditions of phonetic writing. To classical Greece, and the Hellenistic kingdoms that emerged from Alexander's conquests, we derive geometry, philosophy, principles for logical deduction, medicine, and our understandings of democracy. To the Romans, we owe the understanding that economic and social relationships should be bound by legal principles that favor all citizens equally.

If we owe a debt to the past, it is nevertheless the case that we are not of the past. We are, instead, the people of a new modern and industrialized world that emerged from the pre-modern experience around 1750. Where the pre-modern world of management largely served local markets, the modern world of management tends the wants of national and global markets. Where the pre-modern manager had little need to worry about costs, the modern manager has every reason to concern themselves with expenses. Where the producer of antiquity and of the medieval era could typically marshal the resources of unfree and semi-free workforces, the modern manager can rarely avail themselves of such forms of labor.

The purpose of this section of this *Palgrave Handbook of Management History* is thus twofold. It cannot be content with merely acknowledging where we owe a debt to the past. It must also highlight where modern management differs from earlier systems of managerial endeavor and the reasons for this difference.

The Poverty and Promise of the Past

Writing of the working people of thirteenth- and fourteenth-century Europe, the economic historian, Carlo Cipolla (1981: 182), observed that they had “a mechanical outlook . . . an irresistible taste for mechanical achievements.” Until 25–30 years ago, this was still arguably the case in most Western societies. Most people worked on a farm, in a factory or a mine, or in warehousing and transport. People did things with their hands. Successful managers and entrepreneurs were admired in part because they were inventive, coming up with either a new technology or a way of using an old technology more efficiently. For most working-class being people, life was hard. Mass unemployment, deprivation, and even famine were the remembered experience of most families. Accordingly, what people primarily wanted from work was a system of management that promised both job security and increased material wealth. Farmers could understand that productivity and managerial efficiency were a good thing if it gave them more potatoes to sell at less cost. In a factory, most could also understand that increased productivity was a good thing in that it made an increase in pay more rather than less likely. Given that most people worked in private sector employment – where their jobs were exposed to market competition – few could afford to be blissfully ignorant as to the mechanics of management, production, and work.

A direct relationship not only to the world of production but also to what Adam Smith (1776/1999); Book III, Chap. III, para. I) called the “higgling of the market” is something that increasingly few possess. In the United States, where manufacturing reached its absolute peak in 1953 (17.2 million employees), an estimated 50.2% of the nonagricultural workforce being was engaged in industrial, mining, or transport occupations at this date. By late 2017, only 17.5% of the American workforce worked in such jobs (Bowden 2018: 281). Similar trends can be ascertained in most other Western societies. This is not to say, of course, that Western societies have abandoned the accoutrements of an industrial society: steel, aluminum, plastics, automobiles, computers, etc. Rather, they have largely outsourced the production of such needs to less prosperous societies. In terms of primary steel production, for example, the Chinese share of global production has hovered around the 90% mark over the last decade (Cunningham et al. 2019: 31). Understandably, such outcomes lead to the common delusion that – because the West no longer produces the steel it uses – we now live in a “postindustrial” or “postmodern” society, a world where the manufactured and energy-intensive underpinnings of an industrial society are important only to the extent that they add to climate change and environmental degradation.

A lack of understanding as to the hard-fought existence of past generations finds expression, I believe, in two things, both of which impair an understanding of management history. First, there is a tendency to romanticize the rural, pre-industrial past. This is a problem that I address at length in ▶ Chap. 17, "Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management," where I observe that many now share the view of the English poet, William Wordsworth (1800/2009: 142, 144), that human existence finds "a better soil" in a "rustic life." To hold such ideas leads to the inevitable conclusion that the primary managerial concerns of past generations – in clearing the forests, in taming the rivers, and in furthering new industrial techniques – were historically retrograde activities. In truth, as Thomas Hobbes (1651/2002: 62) famously observed, a pre-industrial existence was "solitary, poor, nasty, brutish, and short." In a pre-industrial world, most people lived and died in filth. Indeed, such were the circumstances in which most people once lived that they are almost beyond imagining. A picture of what life was like for most is well-captured in Richard Hellie's (2006: 289–290) description of the typical peasant home in nineteenth-century Russia, in which he records how "The smoke was so dense that it left a line around the wall about shoulder height, where the bottom of the smoke cloud hung. The air was so toxic that it disinfected the hut to the extent that not even cockroaches could survive." In addition to the romanticization of the pre-industrial past, the popular understanding of antiquity suffers from what I think of as the "Hollywoodization" of the past and the tendency to extrapolate from the preserved ruins of places like Pompey. What most seem to overlook was that places like Pompey were holiday resorts for the rich and famous, a tiny prosperous elite within Roman society being. Their experience in no way resembled that of the ordinary person. The gulf in living standards that separates our modern industrial world from that of antiquity, or even seventeenth century Europe, is indicated in Fig. 1. This compares the annual "grain" or "wheat" wage of lower-class Romans (i.e., the bottom 22%), middle-class Romans (i.e., the middle 60%), and the typical English artisan from c.1688, with the circumstances of someone working on the US basic wage in 2019 ($10.35 per hour) for a standard 40-hour week. Although we return to this comparison in ▶ Chap. 7, "Management in Antiquity: Part 1 – The Binds of Geography," a brief word of explanation is nevertheless required here. In essence, a "grain wage" is calculated on what a certain historical income would buy if every cent obtained were spent on nothing other than wheat. Schiedel and Freisen (2009) calculated the figures for ancient Rome and seventeenth-century Europe. The US figures are calculated by the author and are based on current US wholesale wheat prices. As can be ascertained, a US citizen on the basic wage – a person most would regard as someone in dire circumstances – enjoys a level of material wealth infinitely superior to that of previous generations.

The gulf between modern managerial systems and those of the pre-modern era is also indicated in Fig. 1, which traces estimates of European population from Roman times to the mid-nineteenth century. As is self-evident, the pre-modern world boasted few people. Towns and cities were rare. Those that did exist were typically small affairs. Prior to the seventeenth century, even the countryside was home to

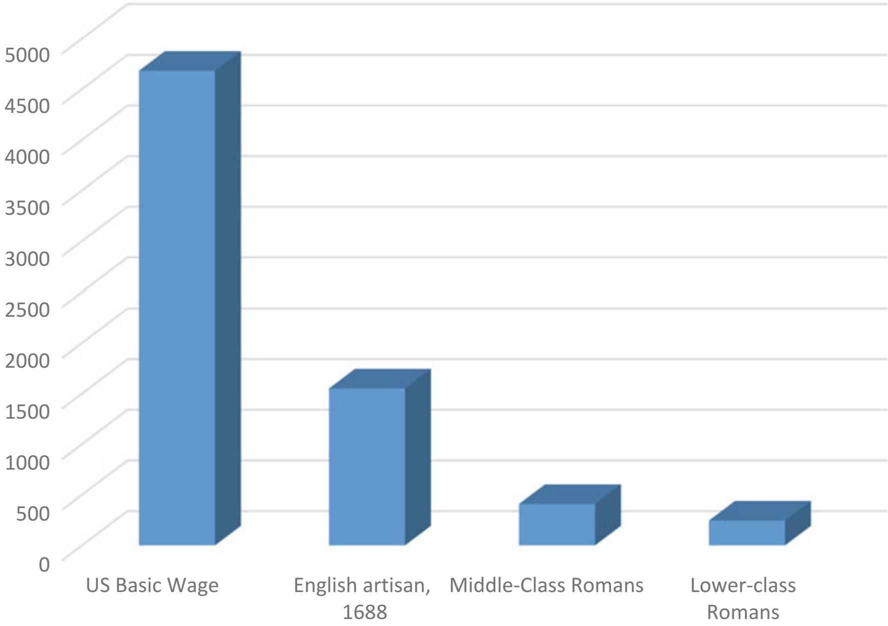

Fig. 1 Annual grain wage in kilograms. (Sources: Schiedel and Freisen, "The size of the economy and the distribution of income in the Roman Empire, p. 84; Bowden, Management in Antiquity, Part 1)

comparatively few people. As the French historian, Marc Bloch (1940/1962: 72), observed of medieval Europe, "The rural landscape . . . bore few traces of human influence . . . behind all social life there was a background of the primitive, of submission to uncontrollable forces, of unrelieved physical constraints." The less industrially developed the society, the more backward was the agricultural sector due to a shortage of metal tools and mechanical contrivances. A technologically undeveloped rural sector, in turn, required the work of a large number of farmers to support a comparatively small urban population. This tendency was evident not only in Europe but in other pre-modern societies as well. In nineteenth-century China, for example, it took the labor of 400 million peasants and small artisans to support a population of 7.5 million urban non-producers, i.e., scholars, bureaucrats, soldiers, etc. (Jones 1987: 4; Fig. 2).

If a lack of appreciation as to the economic gulf that separates our world from past societies can cause an underestimation of the difficulties confronted by earlier generations of administrators, overseers, and entrepreneurs, it is also the case that those largely devoid of the once-common "mechanical outlook" can easily overlook the managerial aspirations of bygone times. Among modern concerns about "carbon footprints" and global warming, I suspect that comparatively few readers would appreciate that coal is typically an essential ingredient in iron and steel production and that without steel there can be no bridges, hospitals, high-rise buildings, and

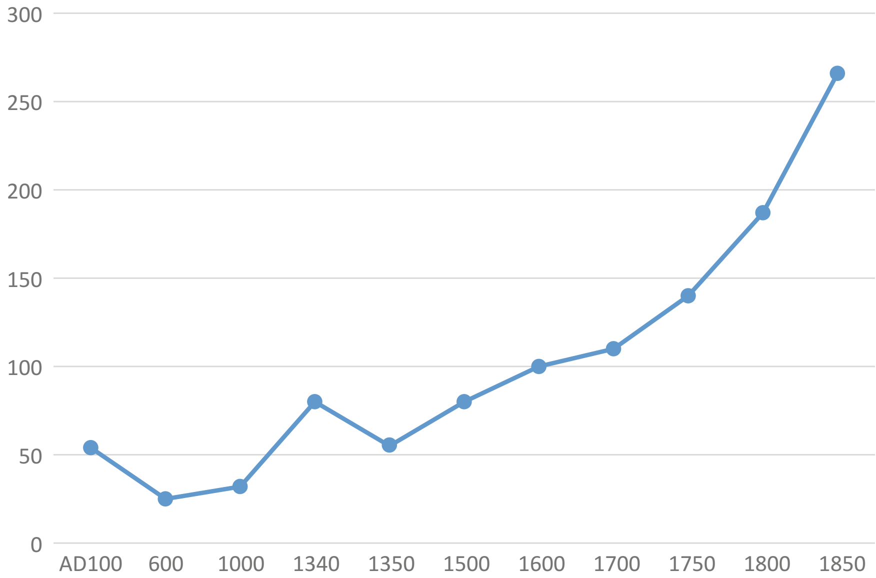

Fig. 2 Approximate Europe population, AD 100–1850∗. (Sources: de Ligt, Peasants, Citizens and Soldiers, pp. 6–8; Cipolla, Before the Industrial Revolution, p. 150; Braudel, Capitalism and Material Life, p.11) [∗Note: includes Russia]

factories. Yes, it is true that steel can be smelted by using large quantities of scrap-iron in lieu of coal. However, in developing societies such as China and India – as in pre-modern societies – this is rarely an option. It is this fact that does much to explain the enormous increase in world coal production and consumption during the last 30 years, even as many in the West decry problems of global warming, with global production rising from approximately 4,500 million tons in 1990 to over 7,500 million tons in 2018 (Cunningham et al. 2019: 31). It also does much to explain the obsession of past societies with base metals and mining, to the extent that we still describe civilizations and historical epochs in terms of their command of metals, i.e., Copper Age, Bronze Age, and Iron Age. For without an abundant supply of forged or smelted metal, it is impossible for a society to economically progress, given an absence or shortage of metal plows, axes, hoes, and the like. On this front, iron has a number of advantages over other alternatives. Although typically not as hard as bronze, it is easier and cheaper to produce. Iron ore is also more plentiful than copper and tin, the key ingredients in bronze. The problem with iron production stems from the fact that the smelting process requires the use of carbon-based material. Historically, pre-modern societies obtained this component from charcoal, i.e., burnt wood. As iron production increased, however, there can an inevitable point where the supply of wood wilted in the face of demand. In AD 1100, for example, it is estimated that China's per capita iron output exceeded the level that Europe obtained in 1700. By this stage, however, China's central rice region – the epicenter of iron production – had become "a great clear-felled zone" (Jones 1987: 4), an outcome that led to a collapse in Chinese iron production. Similarly, in England, where iron cannon and other iron goods dominated exports in the sixteenth century, the price of timber rose fivefold between 1570–1589 and 1630–1649 (Cipolla 1981: 2467). In short, difficulties in acquiring sufficient carbon-based material for smelting acted as an almost universal cap on iron production, a limitation that restrained the development and use of durable, metal-based capital goods and hence the possibility of economic and managerial progress.

Often in discussions of economics, culture, and management, there is a tendency to discuss the performance of Western Europe, and the so-called West, as a unitary bloc that – due to some supposed innate characteristic – came to dominate the world (see, e.g., Jones 1987; Huntington Huntington 1996/2003; North and Thomas 1973). As Niall Ferguson (2011: 4–5) expressed it in his book, *Civilization: The West and the Rest*:

> . . . beginning in the late fifteenth century, the little states of Western Europe . . . produced a civilization capable of not only conquering the great Oriental empires and subjugating Africa, the Americas and Australasia, but also of converting peoples all over the world to the Western way of life.

When we study the success and failure of ancient and medieval Europe being in terms of managerial success (i.e., a capacity to generate gains in productivity, per capita output, per capita income), however, the idea that there was a single “West,” advancing in more or less unison, quickly becomes unsustainable. As Fig. 3

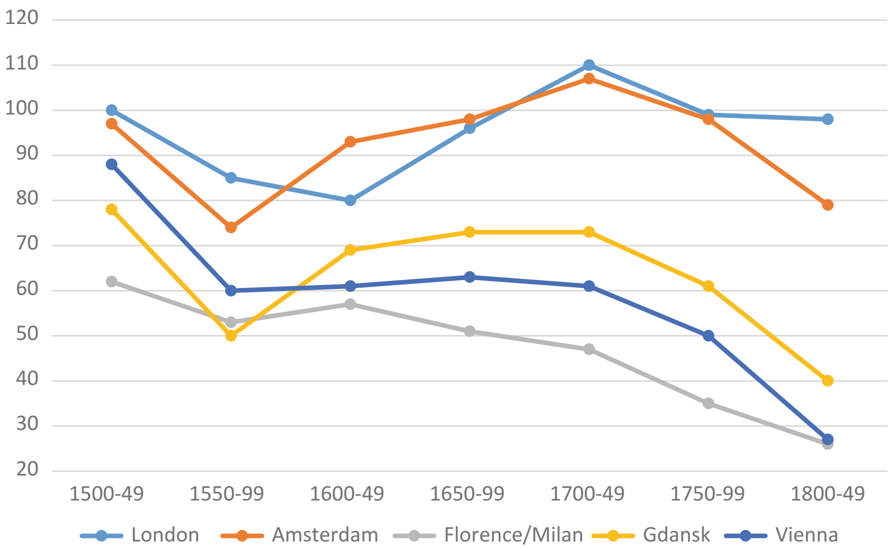

Fig. 3 Real consumption wage of unskilled European building workers, 1500–1549 to 1800–1849 (100 = London in 1500–1549). (Source: Palma and Reis, “From Convergence to Divergence,” p. 500)

indicates, which traces the "real consumption wage" (i.e., the basket of goods and services a nominal wage will buy) of unskilled building workers in a number of Western and Central European cities – London, Amsterdam, Gdansk, Vienna, Florence, and Milan – two things are immediately apparent. The first is that during the seventeenth and eighteenth centuries, a marked divergence occurred between the circumstances that prevailed in England and the Netherlands, where comparative prosperity existed, and the situation in the other cities, where living standards steadily deteriorated. Significantly, the worst performers were Milan and Florence, cities associated with the glories of the Renaissance and a flourishing of cultural values that emphasized individualism and creativity. The second evident trend is that among the successful cities, even Amsterdam suffered a marked decline in living standards during the eighteenth century (Broadberry and Gupta 2006: 6). Evidence as to the declining circumstances of the Netherlands – a highly commercialized society that boasted the world's first stock market and Europe's most productive agricultural sector – is also indicated in Palma and Reis's (2019: 500) recent study, "From Convergence to Divergence," which points to a slow decline in the Netherlands's per capita output after 1650. The idea that by the eighteenth century, Europe – and most particularly Western Europe – had opened up a substantial gap in terms of living standards vis-à-vis the more prosperous regions of India, China, and Japan has also been shown to be a misnomer by recent research. As Allen et al. (2011: 30–31) note, "unskilled laborers in the major cities of China and Japan – poor as they were - had roughly the same standard of living as their counterparts in central and southern Europe for the greater part of the eighteenth century."

As management historians, we inevitably come to the key question in this section, if not the entire *Palgrave Handbook on Management History*, namely: what was it about England that caused it alone to break the technological and managerial bonds of the pre-modern world?

In search for an answer to this central question, it quickly becomes apparent that a society could excel in a number of managerial endeavors without a general transformation in managerial practices occurring across the whole economy. Indeed, the reverse is possible, i.e., progress in one area leading to developments that had an overall negative effect. The classical example of this is found in the experiences of Habsburg Spain during the sixteenth and seventeenth centuries. As Oliver Aho and Robert Lloyd note in ► Chap. 11, "The Origins of Robust Supply Chain Management and Logistics in the Caribbean: Spanish Silver and Gold in the New World (1492–1700)" of this section, *The Origins of Robust Supply Chain Management and Logistics in the Caribbean: Spanish Silver and Gold in the New World*, the exploration of the America's was primarily driven by "the search for metallic riches." The culmination of this search was found in the development and operation of the fabulously wealthy Potosi mine in Peru, a mine whose riches transformed monetary conditions in Europe under a cascade of silver. Of the "supply route the Spanish empire established during this time," Aho and Lloyd (► Chap. 11, "The Origins of Robust Supply Chain Management and Logistics in the Caribbean: Spanish Silver and Gold in the New World (1492–1700)") observe that it was "unlike any other seen in history," amounting to "the world's first supply chain that was maintained in consistent quantities over a substantial period of time (centuries) in an environment where the risks were unknown and extreme." Spanish expertise in the mining and transport of silver – a commodity of much value but of little use in the manufacture of capital goods – had two profoundly negative consequences. First, the flood of American silver led to the so-called Great Inflation as goods became more expensive expressed in terms of (now common) silver. Nowhere was this inflationary effect felt more severely than in Spain itself. Over the course of the sixteenth century, hitherto stable Spanish prices rose by 340%, an outcome that made Spanish-made goods prohibitively expensive vis-à-vis imports (North and Thomas 1973: 106). Despite the imposition of protective tariffs, the nascent Spanish manufacturing sector collapsed in the face of massive smuggling operations, an outcome that saw Spanish silver covertly traded for largely Dutch-made imports. Rather than growing richer from Potosi's wealth, the average Spaniard was reduced to penury, Spain's population falling by 25% across the course of the seventeenth century. Real wages collapsed (North and Thomas 1973: 104). The second problem that Spanish silver acerbated rather than mitigated was the indebtedness of the Spanish dynastic state. Every year, the bounty of the Spanish silver fleet was spent before it arrived, pledged as security against new loans. The Genoese, in particular, enriched themselves by acting as bankers to the Spanish crown. The scale of this business can be ascertained by the fact that in 1562, the Spanish crown – supported by the revenues of Castile, Aragon, Catalonia, Southern Italy, Milan, the Low Countries, and a vast influx of American silver – was spending over 25% of its annual budget on interest (North and Thomas 1973: 129).

Why was it that, as Fig. 3 indicates, the Netherlands and more particularly England followed a different managerial and economic trajectory to other European societies, avoiding the problems that beset Spain amid a bounty of unexpected wealth? Part of the explanation is found in what North and Thomas (1973: 1) referred to as "the establishment of institutional arrangements and property rights that create an incentive to channel individual economic efforts" into productive endeavors. Both England and the Netherlands were highly commercialized societies by the seventeenth century. Each boasted a stock market, well-established systems of merchant banking and marine insurance, and a capacity to draw on the accumulated savings of a large number of small-scale investors who had made their money in commerce, agriculture, or manufacturing. The Netherlands also pioneered large-scale deposit banking and the sale of perpetual annuities, whereby the lender received payment of interest in perpetuity rather than obtaining the return of their initial investment. As a result of such mechanisms, the interest rate charged in the Netherlands fell from 20% in 1500 to 3% in the seventeenth century (North and Thomas: 142). The Netherlands also benefited from the availability of peat, which could be used for both domestic cooking and heating and industrial purposes. By 1650, the Netherlands was burning prodigious quantities of peat, equivalent to 6,000 million kilocalories per year (Cipolla 1981: 273). This equated to the energy expended in 2 million human workdays. Among the industrial uses to which this energy was utilized were glassmaking, beer-making, and, above all, brickmaking. Although, as we noted in Fig. 2, English and Dutch real wages moved more or less in tandem between 1500 and 1750, it is nevertheless the case that "the Netherlands was the more developed economy" during this period, boasting a per capita output some 10–20% higher than England's (van Zanden 2002: 631–632). By 1850, however, the value of per capita output in Holland – the most prosperous Dutch province – was 13.5% lower than it had been 200 years before (Palma and Reis 2019: 500).

What was it that caused the economy of the Netherlands to falter after 1750 while England continued to prosper? We can only conclude that the "institutional arrangements and property rights" that North and Thomas (1973) identified were *necessary* but not *sufficient* conditions for success. We can also conclude that an emphasis on individual initiative and entrepreneurship – both of which Dutch society possessed in spades – were also necessary rather than sufficient conditions. To this list, we can also add a highly productive agricultural sector and legal protections that restrained arbitrary behavior by the state, both of which were present in the Netherlands to a marked degree.

If we are to think of the key attributes of managerial success in addition to those commonly provided by textbooks (planning, organizing, leading, controlling) – namely, the direction of production toward competitive markets, an awareness of costs and a desire to reduce them, legal protections of person and property, and a legally free workforce – what was missing in the Netherlands? Two attributes, we suggest, were absent in the Netherlands, neither of which appear in the previous sentence but which we have nevertheless discussed previously: capital intensity based on durable metal machinery and tools and the direction of production toward not only a competitive market but one based on mass consumption. In terms of the former, the Dutch suffered almost insurmountable problems due to an absence of both iron and, more particularly, coal deposits. For although an exploitation of its peat deposits allowed the Dutch a capacity to transition to an energy-intensive economy, peat was more or less useless when it came to iron smelting. As other Western European societies stripped their forests bare in order to obtain the charcoal necessary for smelting, England alone came up with a cheaper and easily obtained alternative that spared further forest denudation, namely, coke, i.e., the high-carbon residue left when coal is slowly burnt. When English metallurgists worked out how to use coal-derived coke in iron smelting, the demand for coal soared to new heights. As Fig. 4 indicates, British coal production rose inexorably from 1750, underpinning what we think of as the Industrial Revolution. By 1790, almost 10 million tons was being mined annually. Over the next 30 years, this doubled to slightly more than 20 million tons. In the next 20 years, it doubled again (Pollard 1980). Increased coal production did more than underpin an expansion in iron and steel production. Whereas the growth of other European cities was constrained by a shortage of wood for cooking and heating, English cities grew exponentially. Providing a home to 70,000 people in 1500, by 1700 London was "the largest, busiest, and wealthiest metropolis in the world" (Cipolla 1981; 293). As England's mines became progressively deeper, eventually operating beneath the water table, ever more radical innovations were demanded. Accordingly, in 1712 the world's first steam engine – the so-called Newcomen engine – began pumping water from a pit in the English Midlands. As coal production soared so too did the production of iron and hence a

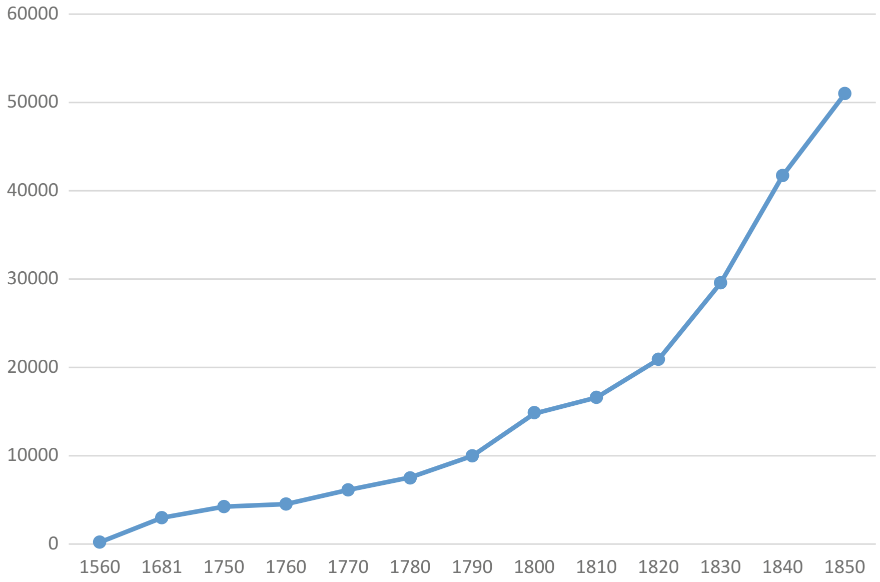

Fig. 4 British coal output, 1560–1850 (in thousands of tons). (Source: Pollard, "A New Estimate of British Coal Production," pp. 216, 229)

whole range of iron-based products: machinery, railroad locomotives, and iron-bottomed and steam-powered ships. By the mid-1860s, even though the tonnage of Britain's sailing ships still outnumbered that of the nation's iron-bottomed ships by more than five to one, it was the latter that carried most cargo (Clapham 1932/1967: 71). The surging demand for coal also indirectly contributed to the creation within England of the world's first mass market. In 1761, Britain's first canal (the Bridgewater Canal) was completed, linking Manchester to Lancashire's coalfields. By century's end a complex system of canals crisscrossed England's interior, allowing for the cheap importation of raw materials as well as ready access to urban consumer markets.

In returning to our original question as to whether or not ancient and feudal managerial systems were comparable to ours, the answer is "no." While both ancient and modern managerial systems were characterized by the classical textbook attributes (planning, organizing, leading, controlling), this section of this *Palgrave Handbook on Management History* nevertheless argues that "modern management" – as manifest in free-market, democratic societies – differs from pre-modern systems with regard to the following characteristics:

1. Production and services are directed toward competitive markets.
2. Production and services are directed toward mass markets.
3. Management is attentive to costs.
4. Management operates within a legal system that provides protection for both person and property.

5. Management operates within a system of institutional and economic arrangements that incentivize individual initiative and entrepreneurship.
6. Management works alongside a legally free workforce that must be motivated by management in order to achieve the most efficient outcomes.
7. Management utilizes high levels of capital intensity, associated with the use of durable metallic tools, implements, and machines.
8. Management exploits an energy-intensive production system, in which artificial forms of energy (coal, gas, wind, water, nuclear) are exploited to the full.

The Structure of This Section

This section is directed toward an understanding of the systems of management – and the ideas associated with those systems – that emerged in the Middle East, North Africa, and Western Europe from the time of the ancient Mesopotamians and Egyptians to the First World War (i.e., 1914). The circumstances that prevailed in the Balkans and Europe's Orthodox East, most particularly Russia, are dealt with separately in our section on European management.

In this section, four chapters deal with actual production and logistical management systems in the pre-modern era, namely:

- ► Chapter 7, "Management in Antiquity: Part 1 – The Binds of Geography"
- ► Chapter 8, "Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds"
- ► Chapter 9, "From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750"
- ► Chapter 11, "The Origins of Robust Supply Chain Management and Logistics in the Caribbean: Spanish Silver and Gold in the New World (1492–1700)"

A separate ► Chap. 10, "From Feudalism to Modernity, Part 2: The Revolution in Ideas, AD 450–1750" deals with the key intellectual underpinnings of managerial advance and regression between the fifth and seventeenth century, many of which were associated – both positively and negatively – with the Catholic Church and its Protestant rivals.

The final chapter in this section, *Transformation: The First Global Economy, 1750–1914*, looks at both the Industrial Revolution in Britain and the economic and managerial relationships that were established within the wider global economy. This final chapter, it should be noted, should be read and understood in conjunction with the chapters found in our sections on *Foundations of Modern Management* and *The Classical Age of Management Thought*, both of which deal with the key theoretical ideas associated with managerial and economic progress from the seventeenth century onward.

As readers will be aware, in this section all but one of the chapters is attributable to me. Where possible, most particular in the chapters dealing with antiquity and feudalism, I have attempted to use primary sources wherever possible (i.e., Thucydides, Livy, Polybius, Saint Augustine, Saint Thomas Aquinas, etc.). My ideas on management are *not* those found in the typical textbook as I draw a clear and definite distinction between both pre-modern and totalitarian forms of management and "modern management" as it is manifested in liberal, democratic societies. Atypical as my ideas of management are – which differ not only from that found in textbooks but also from the hostility expressed toward Western management by both Marxist and postmodernists of various ilk – they have no great claim to originality. My views on management are essentially those expressed by the great Austro-English historian, Sidney Pollard, as outlined in the opening pages of his classic study, *The Genesis of Modern Management*. My ideas differ from Pollard in only two regards, neither of them significant in greater scheme of things. First, I pay a greater heed to management's long historical heritage, a heritage that I am sure Pollard would also have willingly recognized. Second, I place a greater emphasis on the importance of capital intensity in the ascendancy of modern management, an emphasis that causes me to place a greater weight on metal production and energy usage. For whereas pre-modern societies were almost always economies of wood – with devastating effects for natural woodlands – modern economies are built around the harnessing of artificial forms of energy. Of these artificial forms of energy, carbon-based resources (coal, oil, gas) have always been – and remain – the most significant. For those concerned with climate change, this essential fact will no doubt be galling and unpleasant. However, essential fact it remains.

Cross-References

- ▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
- ▶ From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750
- ▶ Management in Antiquity: Part 1 – The Binds of Geography
- ▶ Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds
- ▶ What Is Management?

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Management in Antiquity: Part 1 – The Binds of Geography

7

Bradley Bowden

Contents

Abstract

In this first chapter on management in antiquity, we provide an overview of the different types of economic and managerial systems that existed in Europe and the Mediterranean Basin between 4000 BC and AD450. Within what we call the "civilized frontier" (Egypt, North Africa, the Middle East, the Mediterranean littoral, and Europe west of the Rhine), we can detect three types of economies: those based on irrigated agriculture (Mesopotamia and Egypt), dry-land wheat farming (southern Europe and the Middle Eastern hill-country) and maritime commerce (Greece, Phoenicia, Carthage). Beyond the "frontier" were societies constructed around either pastoral activity or subsistence agriculture. Despite their achievement, none of these societies proved capable of breaking the shackles imposed by geography and a preindustrial technological base. In all societies, the bulk of the population lived from the land. Even in Rome, the most sophisticated society of antiquity, living standards for all but a tiny elite were barely above subsistence. In no society can we see effective systems of management directed towards a competitive market economy. In the final analysis, the managerial record of antiquity is one of failure rather than enduring achievement.

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Civilization · Rome · Greece · Technology · Germanic · Celtic · Arab · Medieval · Religion · Islam · Christianity · Transport · Technology · Slavery

Introduction

Intellectually and linguistically, the modern world owes an immeasurable debt to the societies that flourished in the Middle East, and across the Mediterranean basin, from around 4000 BC. To the Sumerians – who built an enduring civilization between 4000 and 2000 BC by draining the swamps and irrigating the deserts of lower Mesopotamia – we owe the foundations of Western principles of mathematics, as well as both the potter's wheel and wheeled transport. To the Phoenicians – a Canaanite-speaking people whose maritime culture, advancing from its original base in Lebanon and Palestine, bestrode the entire Mediterranean basin between 1500 BC and 300 BC – we owe our traditions of phonetic writing. From the Greek and Hellenistic societies that came to dominate the eastern Mediterranean, and the Latin culture which rose to dominate the entire Mediterranean world, we derive principles for geometry, architecture, philosophy, logical inquiry and deduction, medicine, and politics. Our modern political systems are also framed within the language of ancient Greece and Rome. From *demos*, the Greek term for people, and the political practices of Periclean Athens during the fifth century BC, we derive our original concepts of democracy. From *civis*, the Latin word for citizen, we derive not only our understandings of citizenship, premised on a legal system of rights and responsibilities, but also the very concept of civilization. For the ancient Greeks and Romans, as with us, the term "civilization" implied more than a people joined by a common system of culture, language, history, and belief. It implied a world built around city life, with all the shared benefits of literature, politics, education, and social interaction which were its inevitable handmaidens. As Richard Koerner (1941/1966: 8) remarked, "Urbanization was a fundamental principle of Roman policy." Behind the Roman armies that advanced into North Africa, Spain, the Balkans, Dacia (Romania), Gaul (France) and Britain came the accoutrements of urban life: permanent buildings, aqueducts, amphitheatres, administrators, crafts-people, merchants, money-lenders, and, perhaps most importantly, urban consumers. Although, as Braudel (1986/1990: 98) noted, the towns of the western half of the Empire "suffered enormously" from the Germanic invasions of the third century AD – and even worse depredations following the Germanic *Volkerwanderung* that began with a massed crossing of the frozen Rhine on the last day of 406 – the urbanized culture that Rome created survived even after the western Empire was militarily and politically destroyed. Significantly, this urbanized remnant – initially far stronger in the Greek-speaking Byzantine Empire that survived the fifth century invasions – provided a refuge for new patterns of religious belief as well as for traditions of literacy and learning. Although most towns of any size provided homes for a bevy of Jewish traders, craft workers, and Rabbinical scholars, it was proponents of the new

Christian faith that predominated. Mediated by Greek-speaking patriarchs in the eastern Mediterranean who laid the foundations for Greek and Russian Orthodoxy, and Latin-speaking theologians such as St Augustine and St Benedict in what came to be regarded as Western Christendom, the abbots and bishops of this new faith created powerful supranational institutions that permanently restricted the political and moral authority of dynastic rulers.

Given the intellectual, linguistic, and cultural debt that we owe to antiquity, it is hardly surprising that many trace the institutions and practices of modern business and managerial endeavor to antiquity. At first glance, the case for so doing appears overwhelming. As noted above, many of the intellectual and cultural underpinnings of our world are the legacy of antiquity. The Egyptian pyramids, and the architectural marvels of Periclean Athens and imperial Rome, remain a perpetual source of wonderment. Most first year management textbooks portray the tasks entailed in building antiquity's architectural marvels – tasks that entailed planning, organizing, leading and controlling – as evidence of management's ancient origins (see, for example, Bartol et al. 2005: 5). Similarly, in Morgan Witzel's (2012: 7) *A History of Management*, we are told that although management emerged as a "discipline" in the nineteenth century, most preindustrial societies boasted successful examples of "management." Even among the scholars of antiquity, there are more than a few who make the case that the Hellenistic and Roman world boasted most of the entrepreneurial and managerial attributes of modern industrial capitalism. Writing in the 1920s, Rostovtzeff argued that the Hellenistic states that emerged in the wake of Alexander the Great's conquests (336–323 BC) produced a flourishing "city-capitalism" associated with an "unprecedented" growth in "commerce, industry, and agriculture." Under the auspices of imperial Rome, Rostovtzeff continued, "a strong and numerous city-bourgeoisie" became "the leading force in the Empire" (Rostovtzeff and Fraser 1926/1957: xiv, 103). More recently, in a study entitled *The Roman Market Economy*, Peter Temin (2012: 2) has suggested that "markets knit the Roman economy together . . . ordinary Romans lived well . . . They lived well as a result of extensive markets, competitive advantage, and technological change." In the face of established opinion that water-mills only became commonplace in the medieval era, both Lewis (1997) and Wilson (2002) contend that this Roman invention was widely adopted during antiquity, the latter claiming that its utilization represented a technological "break-through" (Wilson 2002: 11).

The claims as to the commercial, managerial, and technological achievement of antiquity falter when exposed to even cursory scrutiny. Although the smelting of metals – first of copper, then of bronze and iron – was a characteristic feature of Middle Eastern and European cultures from 3500 BC onwards, analysis of Greenland's ice cores indicates that the tonnage produced was miniscule until the years of the late Roman republic, when a spike in lead isotypes derived from the imperial silver-lead mines of southern Spain found their way to Greenland as atmospheric pollution. The spike in industrial smelting – which provided the coinage that was the life-blood of commercial exchange in a world devoid of paper money, bills of exchange and cheques – is also indicated by analysis of Spain's Rio Tinto mines, analysis that reveals some 6–16 million tons of silver and copper slag left as residue (Wilson 2002: 25–26. 29). This Roman mining and smelting achievement was, however, economically unsustainable. Not only did Roman mining efforts consume prodigious amounts of slave labor they were also only technically feasible in landscapes that allowed hydraulic sluicing to remove the initial layers of overburden (Wilson 2002). By AD 180 the Spanish mines were abandoned, leading to a collapse in output, a debasement of the currency and a steady reversion to a barter economy during the late Empire. Indicative of the Empire's failing fortunes, the silver *denarius* that was the standard instrument of exchange across the Mediterranean world, comprised only 4% silver in AD270. A century and a half earlier the figure had been 97% (Wilson 2002: 27).

The inability of even the Roman economy, with its unprecedented resources, to sustain the coinage necessary for basic commerce points to more generalized failings. With limited access to metal goods, and the casting of iron remaining an unknown skill to the ancient world, achievements in manufacture and, more particularly, agriculture were severely constrained. The population of Roman Italy during the reign of Augustus Caesar (28 BC – AD 14) probably amounted to no more than six million people, a total significantly less than that which today resides in Hong Kong (7.4 million). Of Italy's six million people, a third were probably slaves (Hopkins 1978: 68). Even where technological innovation was applied, it led to no generalized transformation. In the case of water-mills, Saller (2002: 265–266) estimates that even if this form of technology was commonplace – which he doubts – its effect on overall economic growth across the course of the Roman Empire would have amounted to "a rate less than 0.025% per year." Trapped within the confines of a preindustrial society, most members of the societies of antiquity lived in poverty and misery. In the case of imperial Rome, Schiedel and Freisen (2009: 84) estimate that at the height of empire somewhere between 65% and 82% of the population lived at or below subsistence level. In such circumstances, great displays of wealth – such as those evident in the holiday villas of the Roman elite at Pompeii – could only be achieved by extreme disparities in income, Schiedel and Freisen (2009: 76) concluding that the prosperous Roman elite amounted to as little as 1.2% of the total. Of the Roman villas that become the basis of Gallic production during the Late Empire, Braudel (1986/1990: 92) observes that they were "monstrous" places, "a machine for enslaving and crushing human beings." Yes, it is true that the Roman aqueducts, sewers, and roads allowed for urban concentrations that were not equaled until the dawn of the modern era. But life for most, even in the great metropolis of Rome, was no bed of roses. Invariably, Rome's free-born lived in multistoried apartments (*insulae*) wherein exorbitant rents were extorted for jerry-built premises that were constantly in danger of collapse and fire. "Almost everywhere," Carcopino (1940: 44) observed, "the higher you went in a building, the more breathless became the overcrowding." On the upper stories, "entire families were herded together" in an environment characterized by "dust, rubbish, and filth," circumstances in which "bugs ran riot" to such an extent that "bedding could be black with them." In such habitations, Rome's famed fountains and sewers were typically far distant, only the very wealthy enjoying private connections. Reflecting on such circumstances, Carcopino (1940: 40) correctly noted that, "The drainage system of the [typically] Roman house is merely a myth begotten of the complacent imagination of modern times."

The fundamental problem with Roman society, as with the other societies of antiquity, is that it continually saw landed income as the only legitimate source of wealth; a situation that created a vicious circle in which any wealth that was created was ploughed back into low-productivity rural pursuits. In consequence, Rome not only remained devoid of the financial tools that characterized the European "commercial revolution" of the thirteenth century – bills of exchange, inter-bank transfers, cheques, double-entry book-keeping – its intellectual leaders also saw financial activity (lending, borrowing, etc.) as the domain of the morally bereft. Plutarch (c.AD100a/ 1993: 242), for example, in outlining the purpose for his essay, *Against Borrowing Money*, declared that he only wanted to show "what disgrace and indignity there is in the business." Such attitudes not only curtailed possibilities for entrepreneurial endeavor, they also restricted the growth of an urban middle-class sympathetic to new forms of wealth creation. Across the Empire as a whole, Schiedel and Freisen (2009: 84) estimate society's "middling" class at somewhere between 3.5% and 6.5% of the total. Modern managerial principles – which Pollard (1965: 6–7) associated with a capacity to motivate workers "without powers of compulsion" and an ability to relate output to costs and to sell "competitively" – were even more alien to the societies of antiquity. Even in Rome, arguably the most litigious society in the historical record, there was, as Hopkins (1978: 109) commented, "no tradition which legitimated the regular employment of free men." Accordingly, Roman society becoming increasingly bifurcated between the free (divided between a wealthy elite and an under-employed majority) and the enslaved.

In the world of antiquity, where entrepreneurial business pathways were more or less closed, there was only two sure ways of increasingly societal wealth: steal from others by force or enslave them (or, preferably, achieve both goals simultaneously). This fundamental fact of economic life was, arguably, better understood by the ancients themselves than by many modern commentators. The Athenian democracy of the fifth century BC, and its material achievements, would have been impossible without the slave-operated silver mines at Laurion and the tribute exacted from the Delian League. The latter, initially an anti-Persian maritime alliance, had by 454 BC been reduced to subject status, forced to pay the Athenian state 600 talents (1.56 tons) of silver per year (Thucydides, c.411 BC/ 1954: 132). In defending Athens need to go to war to defend its dominant position, Pericles accurately noted that Athenian prosperity rested on the fact that it had spent "more life and labor in warfare than any other state, thus winning the greatest power that has ever existed in history." The fact that the Athenian "empire is now like a tyranny," Pericles declared, was no reason to let it go, for to surrender it would bring the "state to ruin" (Thucydides, c.411 BC/ 1954: 161–62). Athens' vaunted war-making ability, with the accompanying benefits in land and treasure, paled into insignificance when compared with that of Rome. Writing in the first century AD, Livy observed that by 319 BC, Rome was "a nation . . . in its eighth century of warfare." At this date another 700 years of warfare lay before the western half of Rome's empire, while the eastern half battled on for a further millennia. As Rome advanced it looted treasuries and temples, seized land, and enslaved people in their hundreds of thousands. "From the Second Punic War onwards," Howgego (1992: 4) observed, "Rome laid its hands by stages on the stored up wealth of the whole of the Mediterranean." The greatest cities of the Mediterranean basin – Carthage, Syracuse, Athens, Jerusalem – were sacked, the booty from Jerusalem's temple being used to build Rome's Coliseum. Plutarch (c.AD 100b/ 1999: 74) records that "so much money" was plundered from Macedonia in 167 BC "that the [Roman] people were exempt from taxes." Not until the third century AD were taxes on land, the principal source of regular income for the Roman state, reinstated. To compensate for the privileged position of Rome, the rest of the Empire was subject to land taxes that typically took a tenth of the annual harvest. In the case of Egypt, half the harvest was taken (Hopkins 1978: 16). The flows of goods, wealth, and slaves into the Italian heartland, therefore, depended in the first instance not on the "extensive markets" and "comparative advantage" of which Temin (2012: 2) speaks, but rather on militarily-enforced taxes. In summarizing the managerial and organizational consequences of such arrangements, Hokpins accurately remarked (1978: 17) that, "The considerable reliance on taxes levied on food helped the Roman state support a large superstructure with fairly simple economic institutions and only a small market sector."

If conquest and taxes directed great accumulations of wealth towards the Roman heartlands, the social consequences were uneven. Economically, the long-term consequences were retrograde. Ruined by the continual warfare that could take farmers and/or their sons away from their peasant farms for years at a time, the Roman rural yeomanry found themselves displaced by large *latifundia*: estates staffed by captured slave populations and their descendants. In reflecting upon this tendency, Appian (c.AD120/ 1913: 7) observed that:

> . . . the ownership of slaves brought them [the rich] great gain from the multitude of their progeny, who increased because they were exempt from military service. Thus certain powerful men became extremely rich and the race of slaves multiplied throughout the country, while the Italian people dwindled in numbers and strength, being oppressed by penury.

Arguably the greatest failure of the Roman Empire, however, was that it remained at heart, a military tyranny. Its growth, survival, and eventual decline are all attributable, in the first instance, to the combat performance of its legions. Tacitus, arguably the greatest social commentator that Rome produced, was acutely aware of how Rome was perceived by the subjugated and by those beyond the frontier. Reflective of this understanding, he at one point places into the mouth of a supposed British highland chief a clarion call of resistance to Rome. In an address to his people, this chief is recorded as saying of the Romans: "Robbers of the world, having by their universal plunder exhausted the land, they rifle the deep . . .To robbery, slaughter, plunder, they give the lying name of empire; they make a solitude and call it peace." As Rome's economic and demographic strength ebbed away from the third century AD onwards, armed resistance from the disaffected was increasingly found within as well as without. Rome was thus, for all its grandeur, a society – like all others found in antiquity – trapped within the technological and organizational constraints of what remained a pre-industrial world. Only with its ruination were new forms of Western civilization – built around markets, entrepreneurship, commerce and the exploitation of carbon-based forms of energy – to emerge capable of breaking the shackles that bound the economies of antiquity.

In exploring the issue of management in antiquity – a substantial undertaking given the variety of societies and the length of the historical period that we are considering – this study will involve two distinct parts, or chapters. This chapter, Part 1, is therefore in part a prelude to Part 2, a chapter that primarily focuses on the Greek, Hellenic, and Roman experiences. In its focus, this Part or chapter, however, also addresses three topics that are arguably central to our understanding of antiquity. The first necessarily involves methodology and sources and how we judge the size of both populations and economies in antiquity. A difficult task, given the absence of most of the statistics to which modern economists and managers have become reliant (i.e., productivity, firm and economy-wide outputs, per capita income, etc.), but nevertheless an essential one. For if we are to venture opinions on the success or otherwise of economic and managerial endeavor in antiquity, we could hardly do this without some measures as to the economic wealth produced, and the living standards of the people whose toil produced that wealth. In the following two sections of this chapters, we will explore the economic and social diversity of the world of antiquity (i.e., the Middle East, Egypt and North Africa, the Mediterranean Basin, Gaul [France], Britain, and Germany). Although the societies of antiquity were, we argue, an interrelated whole, with even those societies beyond the "civilized frontier" trading with the more urbane cultures inside the frontier, each confronted different sorts of problems, problems largely determined by geography and the forms of economic activity which the land, and the technology of the time, allowed. It is only by understanding the diversity of antiquity, and how the various cultural and economic components related to each other, that we can comprehend the whole.

Managerial and Economic Performance in Antiquity: Methods, Sources, and Difficulties

The societies of antiquity were hierarchical in nature. This applies as much to democratic Athens as Pharaonic Egypt or imperial Rome. Yes, it is true that Athenian citizens made decisions relating to peace, war, and the investment of state funds through common consent. But it is also true that Athenian wealth, power, and leisure rested on a veritable army of slaves, amounting to some 30% of the total population. This makes it one of only five cultures in history that can truly be considered a "slave society," wherein slave numbers represented around a third of the total; the other four being Rome, the southern states of the United States of America prior to the Civil War, and nineteenth-century Brazil and Cuba (Hopkins 1978: 101). While slavery was atypical in most ancient societies built around subsistent peasant farming (i.e., Mesopotamia, Egypt, early republican Rome), the householder and his family in such cultures were invariably subject to state and religious taxes, forced labor on state projects, and military conscription. Hierarchical though ancient societies may have been, it is nevertheless wrong to think of them as having anything like a professional managerial class as we understand it, a class of people whose occupation is that of producing goods and/or services for sale as efficiently as possible so as to meet a consumer demand. The position closest to that of a "manager" was the "overseer" who supervised labor in mines, shipyards, construction projects and, in the case of Rome, in the commercially oriented but slave-operated *latifundia* that increasingly characterized agricultural in Roman Italy and the Empire's western provinces. Far from being autonomous agents, overseers were invariably little more than superior hands, a status clearly indicated in Cato the Elder's *De Agricultura*, the classic text on Rome farm management. In this, Cato (c.160 BC/ 1913: 34, 25) advises estate owners that they should make sure their overseers "often lend a hand" in the fields. If weather or other circumstances reduced working hours, then the overseer's task was to immediately "cut down" on "the slaves' rations." Even for the comparatively enlightened Pliny the Younger (c.90 AD/ 1963: 106), efficient estate management rested on having "a good type of slave" that enabled overseers to operate without resort to "chained slaves." On the *latifundia*, as with other forms of private business endeavor, it was not only the laborers and field hands who were slaves. Overseers, financial controllers, and the like also often fell into the same category, Rome acquiring tens of thousands of skilled, educated slaves with its conquest of the Hellenistic kingdoms of Greece, Egypt, and the Middle East during the late republic. Writing of Crassus, Rome's wealthiest citizen during the late republic, Plutarch (c.AD 100c/ 2005: 112) attributed his financial success in large part to his acquisition of slaves "of the highest quality – readers, secretaries, silver smiths, stewards." Such people were, Plutarch (c.AD 100c/ 2005: 112), continued, "the living tools for the management of a households." In the early Empire, even the centralized bureaucracies of the Roman state were headed by slaves. It was these people who were responsible for the day-to-day operation of empire, issuing instructions to provincial governors and imperial magistrates (Carcopino 1940: 62).

One of the consequences of the ancient world's operation without reference to modern understandings of management and economics is that we have few ways of reliably measuring performance. At the level of the private-sector business, the absence of anything resembling double-entry book-keeping curtail measurements of efficiency based on inputs and outputs. At a societal level, there is little agreement even as to the size of the population at any given point in time. For example, population estimates for Italy in 28 BC – a Roman census year at the transition point between republican and imperial rule – range from a high of 17 million (Lo Cascio and Malanima 2005) to a low of six million (Hopkins 1978; de Ligt 2012; Schiedel and Freisen 2009). In this debate, proponents of the higher estimate point to archaeological evidence, whereas advocates of the lower figure – which this study finds more credible – primarily rely on both likely agricultural output and the literary record (most particularly Livy's, *History of Rome from its Foundations* with its reports of Rome's census figures). Estimates in relation to investment are even more fraught, Wilson (2002: 6) observing that there are few figures "that a modern economist would want to use." In the case of Rome, Wilson (2002: 6) continues, "We do not know . . . gross national product, or *per capita* production figures . . . at even a single moment in its history." Even where obtainable, income and expenditure figures from antiquity expressed in terms of historic currency – talents, drachmaes, tetradrachms, denarii, sesterces, etc. – also need to be treated with caution. For although the ancients universally eschewed paper money in favor of coinage, their currency – as much as our own – was subject to inflation and debasement.

In seeking to move beyond traditional sources of evidence, based on either archaeology or the literary record, economic historians have resorted to two principal methods. The first of these involves the selection of an early modern proxy, where we do have reasonably reliable figures, as a point of comparison. The most noted such effort is arguably that undertaken by Schiedel and Freisen (2009), who use "Golden Age" Netherlands (i.e., Netherlands in c.1600) as a point of comparison, observing that the Netherlands arguably reached the limits of what could be achieved by a preindustrial society in terms of per capita wealth. In comparison to the societies of antiquity, the Netherlands in the early seventeenth century enjoyed extremely high levels of commerce and trade, high levels of literacy and formal education, and plentiful sources of carbon-based energy derived from local peat bogs. On the basis of such attributes, Schiedel and Freisen (2009: 64) argue, with considerable justification, that its economic efforts must represent "an absolute ceiling" that even imperial Rome could not possibly have approached. Extrapolating from their figures – which suggest that the per capita gross domestic product (GDP) of the Netherlands in 1600 amounted to $2590 per year in current (i.e., 2018) US dollars, or approximately $7 day – we must logically conclude that the per capita output in imperial Rome was equivalent (at best) to no more than a couple of dollars per day, a level commensurate with the $1.90 per day income which the World Bank (2019a) currently regards as a measure of "extreme poverty."

A second means of estimating economic and managerial performance in antiquity involves the calculation of waged income and purchasing power through reference to a universal measure of wealth, namely wheat, a product which was, as Duncan-Jones (1978: 159) observed, "the basic foodstuff of subsistence diet in antiquity." In our modern world, our comparative wealth can be ascertained that we can produce the wheat necessary to sustain life at little cost. Or, to put it another way, even a basic modern income allows for the theoretic purchase of a considerable amount of wheat. In 2019, for example, the wholesale price at wheat traded hovered around US$215 per ton, or US$0.215 per kilogram. This means that someone on the federal minimum wage in the United States – which stood at US $10.35 in 2019 – could, if they worked a 40-hour week for 52 weeks of the year, have theoretically purchased 4682.52 kilograms of wheat over the course of a year. By comparison, Schiedel and Freisen (2009: 72) estimate that the per capita GDP of Rome at the peak of Empire, expressed in kilograms of wheat, was most probably in the range of 489 kilograms to 604 kilograms per year, i.e., a level somewhere between 10.4% and 12.9% of the current US minimum wage. Given that Rome was, however, like the other societies of antiquity, characterized by extreme income inequality, it is unlikely that such a bounty would have been enjoyed by a majority of the population. After estimating Roman income disparities, Schiedel and Freisen (2009: 84) calculate that 22% of the population within the Roman frontier would have received a per capita income that equated (on average) to 245.5 kilograms of wheat, a total equivalent to 5.2% of the current US minimum wage. The social stratum above them, representing 60% of the imperial population, are believed to have received a per capita income equivalent to 409 kilograms of wheat (8.7% of the US minimum wage). Considering the GDP of the Roman Empire as a whole, Schiedel and Freisen (2009: 62–63) calculate its GDP at the height of empire to be equivalent to 50 million tons of wheat. On current values, this equates to a GDP of approximately US $11 billion, a total roughly equivalent to that of the modern day Armenia or Nicaragua (World Bank 2019b).

Although we should treat the above estimates – and any attempt to convert historic calculations into modern day equivalents – with considerable caution, what is nevertheless clear is that even at the peak of its powers the Roman Empire's economy was a comparatively primitive affair. Devoid as it was of the technological and commercial innovations that were to transform the human condition during the Industrial Revolution, most members of Roman society lived a life sunk in poverty, misery, and illiteracy. As Jerome Carcopino (1940: 66) recorded, even in the city of Rome itself "the majority of what we should nowadays call the middle classes vegetated in semi-starvation within sight of the incredible opulence of a few thousand." If, however, the economic and managerial efforts of antiquity pale into insignificance when compared with the achievements of the modern world, it is also unfair to dismiss its achievements on the basis of such a comparison. For our own efforts are built, in part, on antiquity's legacy; a legacy built around their historic struggles to break out of the confines imposed by geography and nature. On this score, their legacy is thus found not only in the things that they achieved, but also in the efforts that ended in failure. It is certainly unwise to dismiss as futile the efforts for betterment undertaken by those cultures and civilizations that have preceded our own. It is to those efforts, and the geographical and technological constraints against which the struggled, that we now turn.

The Binds of Geography: Life Within the Civilized Frontier

Writing in what was arguably his greatest work, *The Mediterranean and the Mediterranean World in the Age of Philip II*, Fernand Braudel (1946a/1990: 773) concluded that "the fundamental reality of any civilization must be its geographical cradle." The view that cultures and civilizations are, first and foremost, a product of their geography is hardly novel. In Livy's (c.AD 14b/1960: 386) *History of Rome from its Foundations*, the city's dictator in its war against the Gauls in 386 BC is quoted as saying:

> Not without reason did gods and men choose this spot as the site of our City – the salubrious hills, the river to bring us produce from the inland regions and sea-borne commerce from abroad, the sea itself, near enough for convenience yet not so far as to being danger from foreign fleets, our situation in the very heart of Italy – all these advantages make it of all places in the world the best for a city destined to grow great

Similarly, Herodotus (c. 446 BC/ 1954: 133, 139), described by Cicero as "the Father of History," noted that the extraordinary agricultural wealth of Egypt rested on the Nile's "bottomless" springs and a "black and friable . . . alluvial soil" totally unlike either the "reddish and sandy" soils of Libya or the "stone and clay" of Syria. The Greek historian, Polybius (c. 150 BC/ 1979: 283), also emphasized the importance of geography, attributing the food security and wealth of Greece to its maritime access to the Black Sea and its agricultural and pastoral hinterlands, observing that as "regards the necessities of life, there is no disputing the fact that the lands which surround the Pontus provide both cattle and slaves in the greatest quantities and the highest quality . . . they also absorb the surplus produce of our own countries, namely olive oil and every kind of wine."

What is evident from the above quotations from Herodotus, Livy, and Polybius is the emphasis on geographic and economic diversity and, at least in the case of Livy and Polybius, on maritime trade and sea-borne commerce. It was this orientation towards the sea as a means of breaking the shackles imposed by the physical constraints of one's homeland that does so much to explain the intellectual and cultural dynamism of the Greeks, their Phoenician maritime rivals and, subsequently, Rome; the latter, admittedly, only embracing a maritime career when it became a military necessity in the First Punic War with Carthage (264 BC – 241 BC). Certainly by the second century BC, the Mediterranean basin and its hinterlands – including Spain and Gaul – represented what Braudel (1977: 81–82) referred to as a "world economy," an interconnected whole within which each part is inexplicable without reference to the totality. Reflective of this interconnectedness is Polybius's (c. 150 BC/ 1979: 285) observation that, with Rome's dominion of the eastern Mediterranean, "history" had become "an organic whole . . . all events bear a relationship and contribute to a single end."

If the sea routes of the Mediterranean and Black Seas, and subsequently the North Sea, created an interconnected whole, it was nevertheless the case that a society's propensity for maritime adventure reflected its own landed resources. Least inclined to venture to sea were the civilizations based on the rich, irrigated river valleys of Mesopotamia and Egypt. The benefits of such environments – wherein irrigated cultivation required centralized bureaucracies skilled in writing, mathematics, astronomy and the harnessing of human labor – were obvious, Herodotus (c. 446 BC/ 1954: 158) declaring the Egyptians to be "much the most learned of any nation of which I have had experience." The disadvantages that accrued from such environments were, if less obvious, equally profound. Both lower Mesopotamia and Egypt lacked access – whether through home deposits or trade – to tin and iron, making them laggards in metallurgy. Moreover, the very fertility of the land and the abundant populations which it supported appears to have fostered a technological conservatism. Even though Pharaonic Egypt's agricultural richness depended on its ability to channel water into irrigation ditches once the annual Nile flood had receded, there was little inventiveness shown in tackling this problem. Only with the advent of the Hellenistic Greek kingdom of the Ptolemies (305 BC – 30 BC) were high-capacity water wheels and the "Archimedean" water-screw introduced. Prior to this, Egypt relied on labor intensive bucket and pulley methods

(Wilson 2002). This propensity to rely on labor intensive modes of work was most clearly demonstrated in the great vanity projects of the Pharaohs: the pyramids and underground mausoleums of the Valley of the Kings. Although the pyramids remain antiquity's most iconic relics, their construction was hardly an economically rational capital investment. The economic and social folly involved was self-evident to a logical Greek thinker such as Herodotus (c. 446 BC/ 1954: 178–180), who declared the construction of the great pyramids to be a "crime," a source of "the greatest misery" that reduced the Egyptian population into "abject slavery." The wealth of the Nile valley also proved in many ways to be as much curse as benefit, acting as a magnate for a succession of conquerors – Assyrians, Persians, Greeks, Romans, Arabs – each of whom sought to exploit its bounty for their own benefit. Under the Ptolemies, the Nile's irrigated farmlands became effectively the nationalized property of a Greek-speaking dynasty, a dynasty whose rule rested on Greek mercenaries and military settlements (Rostovtzeff and Fraser 1926/1957; Wilson 2002). This subject status was reinforced when Egypt came under the control of the Caesars from 30 BC onwards. Unlike Rome's other provinces, which remained nominally under the control of the Senate, Egypt became the personal property of the emperors. As noted earlier, imperial land taxes resulted in half the annual harvest being seized, a bounty that fed the Roman capital for 4 months of the year (Howgego 1992).

Whereas the bounty of Egyptian civilization was built upon irrigated farming, the economies of its eventual Greek and Roman conquerors were founded on dry-land farming of wheat, olives, and vineyards. For the small-scale peasant operations that engaged in such activities – in both classical Greece and early republican Rome – the returns were in most cases little above subsistence. In Rome, even the senatorial elite originally boasted only modest means. When in 458 BC, Livy (c.AD14b/1960: 213) records, a senatorial delegation approached Cincinnatus to ask him to serve as Dictator and lead Rome out of a military crisis, they found him "working in a little three-acre farm," his hands and face covered in "grimy sweat." Several centuries later, when another delegation approached Manius Curius, a senator who had served as Consul and led Rome to three military triumphs, they located him in a "little estate" that he worked "with his own hands, . . . sitting by the fire and boiling turnips" (Plutarch, c.AD 100b/ 1999).

The comparative poverty of Rome's elite in the early republic – which caused Livy (c.AD14b/1960: 34) to declare that "nowhere" more than Rome "have thrift and plain living been for so long held in esteem" – reflected three basic facts about dry-land farming in antiquity. First, dry-land farming was invariably located in areas of thin soils. Most typically, it involved the farming of hillsides. Where they existed, river valleys and coastal plains were commonly malarial swamps. Their utilization required sustained levels of collective effort and investment that were beyond the resources of peasant-based communities. Even if not water-logged, the heavy soils of river bottoms were also typically impervious to the crude ploughs of antiquity (Braudel 1946b/1990). The second characteristic feature of dry-land farming was a dearth of livestock. This had a number of consequences. It made meat and dairy products a dietary rarity. Animal manure, which could have raised soil fertility, was also in short supply. Where animals were used in ploughing, there was an almost universal reliance on oxen rather than horse-power. Even when horses were used, the farmers of antiquity lacked the soft-leather collars that proved so effective in medieval Europe, collars that allowed medieval horses to do the work of four oxen (Parain, 1941/1966: 144). The third notable consequence of a reliance on dry-land farming, with its deficit of animal stock, was military. Chronically short of horses, Greek and Roman armies were built around infantry formations, rather than cavalry, an outcome that made their style of warfare far more plebeian than that which was to subsequently characterize the medieval world with its armored-clad knights.

If the economic deficiencies of dry-land farming are easily discerned, its benefits were, if less obvious, equally profound. First, free of the stultifying bureaucracies that characterized the civilizations of Mesopotamia and Egypt, dry-land farming communities were inherently more democratic. Increased wealth entailed increased responsibilities, most particularly in the military domain. In classical Greece and early republican Rome, the most respected and valued citizens were those who could afford the heavy helmets, shields, and body armor that allowed them to serve in the ranks of the Greek phalanxes and Roman legions. According to Livy (c.AD14b/1960: 82), in 550 BC Rome undertook a far-reaching restructure of its political order by means of an inaugural census, through which each adult male's contribution to "public service, in peace as well as in war, . . . could be in proportion to his means." The greater one's capacity to contribute to the state's defense, with all the military risks which that entailed, the greater was one's voting power in the popular assembly. The second, easily overlooked benefit of dry-land farming was a comparative abundance of leisure. Hopkins (1978: 24) observes that "most" Romans under the republic "were under-employed," their busy seasons corresponding with the planting and harvesting of their small grain crop. This left plenty of time for religious festivals, politics, and, above all, war-making. For in assessing the economics of Greece and Rome, it is easy to overlook the extent to which they were highly militarized and violent societies. When one reads Livy's (c.AD14b/1960) *History of Rome from its Foundations*, for example, there is a constant temptation to skip over the accounts of a seemingly endless list of wars, large and small. But it was this pattern of endless warfare that proved the decisive factor in the Roman economy, continually extending its reach and resources while undermining the sustainability of the small farmers upon which the state was originally built. Consequently, we read in Livy (c.AD14b/1960: 129–30) that, as early as 495 BC, an old army veteran could lament that:

> While I was on service . . . my crops were ruined by enemy raids, and my cottage was burnt. Everything I had was taken, including my cattle . . . I was expected to pay taxes, and fell, consequently, into debt. Interest on the borrowed money increased my burden; I lost the land which my father than grandfather had own . . . ruin spread like a disease.

The constrained opportunities offered by dry-land farming made the sea, along with landed warfare, one the few avenues through which the Mediterranean's peasant communities were able to break the bounds of their geographic homeland, be it through emigration, trade, or maritime warfare. Significantly, however, despite the ever beckoning presence of the Mediterranean, relatively few cultures ventured seaward. A number of factors explain this. Arguably the most important is the Mediterranean's comparative dearth of fish. Certainly its stocks, both in antiquity and in the medieval era, in no way rivaled those found in the cold-water fisheries of the Baltic and the North Sea (Braudel 1946b/1990). In the western Mediterranean, the wide expanses of the Tyrrhenian Sea effectively restricted maritime travel to the north-south corridors between Italy and Tunisia in the east and between Spain and North Africa in the west. Sudden and destructive storms, moreover, provided a constant threat to life and property even within sight of the coast. In the First Punic War (264 BC – 241 BC), for example, both of Rome's first two naval fleets were sent to the bottom as a result of storms, Polybius (c.150 BC/ 1979: 100) noting on the second such occasion that "the destruction being so complete that not even one of the wrecks could be salvaged." Piracy was a constant threat to not only shipping but also land-lubbers, Thucydides (c.411 BC/ 1954: 39) observing that "the ancient cities" of Greece were invariably "built at some distance from the sea" to protect themselves from this menace. In the face of such obstacles, it is therefore not surprising that in antiquity only three cultures built their fortunes on a voluntary embrace of the sea: the Phoenicians, the Greeks, and the Carthaginians.

By general consent it was the Phoenicians – a Canaanite-speaking people from what is now Lebanon and northern Israel – who acted as maritime pioneers (see, for example, Frankenstein 1977; Stieglitz 1990; Scott 2018). Driven to the seas by the aridity of the region's sandy coastal plains, as well as pressure from competing ethnic groups (most particularly the Hebrews and the Philistines), the Phoenicians pioneered a number of key commercial and maritime skills. Among the most important of these were phonetic writing, stellar navigation, sturdy mortise-and-tenon jointed keeled ships, brailed-rig sails that provided a limited capacity to take into the wind, and large ceramic amphorae that allowed for the transport of wine and olive oil (Scott 2018). While the political and commercial independence of the Phoenicians was curtailed by a series of Near Eastern empires (Assyrian, Babylonian, Persian), their Greek rivals maintained a precarious independence. In 480 BC, Athens – the largest of the Greek maritime states – famously asserted both its independence and naval supremacy in the eastern Mediterranean through a comprehensive victory over the Persian Empire, and a predominately Phoenician fleet, at the battle of Salamis. Such was city's naval domination in the ensuing decades that Pericles, the greatest of the Athenian democratic leaders, was able to boast that Athens "had more and better steersmen and sailors than all the rest of Hellas put together" (Thucydides, c.411 BC/ 1954: 39). Increasingly, however, Phoenician and Greek maritime activity was associated with emigration and colonization as people sought physical escape from the economic constraints of their homeland. By far the most successful of these immigrant societies were Greek-speaking Syracuse in Sicily and Punic-speaking Carthage in what is now Tunisia. In reflecting upon the Carthaginian naval domination of the western Mediterranean, Polybius (c. AD150 BC/ 1979: 345) recorded that "seamanship" was "their national calling and they occupy themselves with the sea more than any other people." Among other things, Carthaginian maritime capacity enabled this North African society to exploit previously untapped mineral resources in the western Mediterranean. Of particularly significance in this regard was Carthage's development of the silver mines of southern Spain, mines which were, following Carthage's defeat, to subsequently secure Rome's currency under the early Empire. Nevertheless, for all the success and sophistication of their maritime empires, Carthage, Athens, and the city-states of Phoenicia were all, in the end, destroyed utterly by the states that emerged from the landed hinterland. Tyre, the greatest of the Phoenician cities, was sacked and burned by Alexander the Great in 332 BC. Carthage was destroyed by Rome in 146 BC, its surviving citizens sold into slavery. Athens, defeated by Sparta in the Peloponnesian War, suffered a similar fate at the hands of Rome. Plutarch (c.AD100b/ 1999: 190), writing of the sack of Athens in 86 BC, recorded that, "There was no telling how many people were slaughtered; even now, people estimate the numbers by means of how much ground was covered with blood."

The comparative fates of the maritime powers of antiquity (Phoenicia, Athens, Carthage) and those most linked to Western supremacy in the early modern era (the Netherlands, Britain, and the United States) are instructive. In antiquity, the maritime powers all succumbed to entities who drew their strength from the land: Persia, Sparta, Macedonia, Rome. By contrast, control of the seas – and, subsequently, the air – has proved the foundation for modern economic and military supremacy. Where defeat, and a subsequent loss of supremacy occurred, it was to a rising maritime power. Dutch supremacy eventually gave war to that of Britain after four bitter wars (1652–1654, 1665–1667, 1672–1674, 1780–1784). The supplantation of British supremacy by the United States was, in turn, heralded by American success in the War of Independence. In the world wars of the twentieth century, the supremacy of the two great Anglo-Saxon powers, Britain and the United States, at sea and in the air, proved decisive. Arguably, American domination of the world's sea lanes, and the commercial prosperity that this delivered to the West, proved equally decisive in the Cold War contest against the Soviet Union.

The Binds of Geography: Life Beyond the Civilized Frontier

If the legions of Rome, based upon a peasant-soldier citizenry, eventually came to dominate the Mediterranean world, there nevertheless existed on the edges of this settled world another world, a world of pastoral nomads that acted at various times as prey and predator for more urbane communities. In North Africa, beyond the coastal ports and plains, extending into what Herodotus (c. 446 BC/ 1954: 332–336) referred to as the great "sand-belt," lived a nomadic people generally referred to as Numidian. In describing the land which they occupied, Polybius (c. 150 BC/ 1979: 429) claimed (perhaps optimistically) that "the total of horses, oxen, sheep and goats which inhabit the country is so immense that I doubt whether an equal number can be found in all the rest of the world." "The reason for this," Polybius (c. 150 BC/ 1979: 429) continued, was that "the African tribes make no use of cereals, but live among the flocks and herds." Sallust (c.40 BC/ 1963: 54), who served with Julius Caesar and was appointed governor of Numidia, recorded that the original native population "lived a nomadic life, roaming from place to place, bivouacking wherever they happened to be at nightfall." To the west of this Numidian population, Sallust (c.40 BC/Sallust 1963: 56) added, were "the Moors." To the south were "lands parched by the continual heat of the sun." Similar nomadic peoples, whose life revolved around horses and flocks of sheep and/or cattle, also occupied the Iranian plateau, the Arabian Peninsula, and, most significantly, the vast Eurasian steppes that stretch from modern-day Ukraine to Mongolia. Most commonly referred to in antiquity as "Scythians," Herodotus perhaps best summed up the classical view of these Eurasian nomads. On the one hand, Herodotus (c. 446 BC/ 1954: 286) dismissed the "Scythians" as "the most uncivilized nations in the world," a people without claim to "any of the arts of civilized life." On the other hand, he noted that these nomadic peoples, "accustomed, one and all, to fight on horseback with bows and arrows," were the most invincible of warriors when fighting on their grassy homelands (Herodotus, c. 446 BC/ 1954: 286).

In antiquity, the nomadic horsemen and camel-herders of North Africa, Arabia, the Iranian Plateau and the Eurasian steppe interacted with more settled societies that abutted them in three principal ways. First, they served as cavalry, mounted mercenaries, in the armies of whoever would hire them, most particularly of Carthage, the Hellenistic kingdoms, and Rome, a role in which they helped offset one of the chronic weaknesses of most armies of the ancient Mediterranean world, constructed as they were around peasant infantry. Second, they acted as raiders and, on occasion, conquerors, a threat which assumed an unprecedented dimension in the late fourth century AD, when the Huns – a Turkic people from the Mongolian steppes – pushed all before them as they moved westward towards the Roman frontier. Arguably, however, the most significant role of the nomadic horse-peoples who lived around the Mediterranean Basin was that of both conduit and barrier to the cultures who lived on the other side of their pasturelands. In antiquity, the lands and people who lay beyond the Sahara, and the steppes to the north of the Black Sea, remained shrouded in mystery and misunderstanding. Of the Ukrainian grasslands, Herodotus (c. 446 BC/ 1954: 276) recorded, "No one has any accurate information about what lies beyond the region . . . what lies beyond is mere hearsay." Only with the Arab conquests that began in the seventh century AD, and the conversion of the bulk of the nomadic horse people to Islam, was a semblance of cultural unity imposed on the regions which the nomads occupied, a unity that did much to enhance linkages between Europe, sub-Saharan Africa, the Indian sub-continent, and East Asia. Writing of the economic and cultural role of Islam between the seventh and fifteenth century, Braudel (1987/1993: 62) accurately noted that, "Trade-routes were its wealth . . . It alone . . . brought together the three great cultural zones of the Old World – the Far East, Europe and Black Africa. Nothing could pass between them without its consent or tacit acquiescence. It was their intermediary." Even without the intermediary role of Islam, a small but economically significant trade emerged between the Mediterranean and the Far East. The bulk of this trade, which tended to see Asian textiles, spices, and jewels exchanged for Greek or Roman silver, went via the Red Sea and India. Much smaller volumes went via the so-called "Silk Road," a route that connected the Roman and Chinese worlds via Syria, the Iranian plateau, and the desert lands to the north of Tibet. Unfortunately for the Roman Empire its trade with India and the Far East was associated with what we would think of as a growing "foreign account deficit"; a deficit that saw a steady loss of silver and (to a lesser degree) gold coins to the eastern trade routes. When the Spanish silver mines closed in the late second century AD, these losses became insidious, contributing to rapid currency debasement (Howgego 1992; Wilson 2002).

If the ancients viewed the nomadic horse peoples who abutted their world with a mixture of disdain and fear, the same attitudes were even more manifest in relation to the Gallic and Germanic peoples to their north. Against these northern peoples Rome waged war for more than eight centuries. In the case of the Gauls, a series of early Celtic victories, which included the sacking of Rome in 390 BC, were followed by increasingly crushing defeats. With the surrender of Vercingetorix at Alesia in 52 BC, an independent Gallic existence in what is now France came to an end. With the defeat of Boudicca, and the massacre of her Iceni warriors in AD61, Britain too came under Roman sway. Unfortunately for Rome the Germanic tribes beyond the Rhine proved more resistant, the limits of empire delineated by Rome's disastrous defeat in the wilds of the Teutoburg forest in AD 9. Writing of this defeat, and the loss of three legions under the command of Varus (Varro), the Roman historian, Suetonius (c.AD130/Suetonius 1957: 62), recorded that it "nearly wrecked the Empire." So gravely did the emperor Augustus regard the defeat, Suetonius (c.AD130/Suetonius 1957: 62) continued that "he would often beat his head on a door, shouting: 'Quinetilius Varus, give me back my legions!'"

Greek and Roman contempt for the modes of Gallic and Germanic existence pervade the literary record. Writing of the Gauls whom Rome expelled from the Po Valley (Cisalpine Gaul), the Greek historian, Polybius (c. 150 BC/ 1979: 128–129) informed his readers in the second century BC that, "They lived in unwalled villages and had no knowledge of the refinements of civilization . . . they slept on straw and leaves." Of the lands to the west of the Rhine, Tacitus (c.AD98b/1942: 709) asked in his study, *Germany and its Tribes*, "who would leave Asia, or Africa, or Italy for Germany, with its wild country, its inclement skies, its sullen manners and aspect, unless indeed it was his home?" As to the Germanic lifestyle, Tacitus (c.AD98b/1942: 716–717) observed that:

> It is well known that the nations of Germany have no cities . . . They live scattered and apart, just as a spring, a meadow, or a wood has attracted them . . . No use is made by them of stone or tile . . . They are wont also to dig out subterranean caves, and pile on them great heaps of dung, as a shelter from the winter, . . . for by such places they mitigate the rigour of the cold.

The primitive nature of the Germanic condition, Tacitus (c.AD98b/1942: 711) continued, was also indicated by a dearth of metal goods, noting that, "Even iron is not plentiful with them." Tacitus (c.AD98b/1942: 711) also believed the Germans to be devoid of the work ethic that characterized more successful cultures, showing propensity for little other than warfare. Consequently, he concluded, they "lie buried in sloth," their "huge frames, fit only for a sudden exertion. They are less able to bear laborious work . . . Nay, they actually think it tame and stupid to acquire by the sweat of toil what they can win by their blood" (Tacitus, c.AD98b/1942: 710, 716).

There is little doubt that Greco-Roman depiction of the Gallic-Germanic "barbarians" to their north as uncouth savages was part fact, part exaggeration. In pre-Roman Gaul, so Braudel (1986/1990: 60–61) wrote in *The Identity of France*, Celtic metal craftwork revealed "extraordinary skill." The Gauls "were also," Braudel (1986/1990: 61) added, "weavers of both linen and wool, dyeing them in the bright colours they favoured . . . the [leather] wine-cask, a convenient substitute for the amphora, was a Celtic invention. They were the first people in Europe to manufacture soap." It is also evident that the cultural and technological gap between those within the western frontier of Empire and those who lived on the far side of the Rhine decreased over time. This was particularly so after the Germanic invasions of the third century AD, invasions which saw most of northern and eastern Gaul (France) fall under the control of the interlopers for an extended period. In the wake of these intrusions, the frontier between "civilized" and "barbarian" is best thought of as an area of transition, rather than an impermeable barrier. Within these vast "boundary regions," there occurred what the Marxist historian, Perry Anderson (1974: 110–111), describes as the "long symbiosis of Roman and Germanic social formations." In Gaul, rich and poor alike abandoned the unprotected cities for rural fortified villas. As taxes were increased across the Empire in a desperate search for military stability what was left of a free peasantry accepted, even in Italy, conditions akin to serfdom in order to gain the protection of a local lord (Stevens 1941/1966). On the Germanic side of the frontier, by contrast, economic life became increasingly monetarized. Culturally, as well, there was a narrowing of the gap that existed between those on either side of the frontier. By the time of the fifth-century Germanic *Volkerwanderung*, most of the German tribes shared the Christian faith of their Roman foes, albeit through adherence to an Arian creed that those who looked to Rome regarded as heretical. In consequence, when the Visigoths sacked Rome in 410 they showed, according to St Augustine (c.AD430/ 1945: 2), unexpected respect for "the churches of the apostles." "So far and no farther," St Augustine (c.AD430/ 1945: 2) added, "came the rage of the bloody enemy."

Although we should not exaggerate the backwardness of the Celtic and Germanic cultures of western Europe during antiquity nor should we understate it. If life for most of the inhabitants of Empire, even during the golden years of the first century AD, was eked out at the edge of subsistence, for those who lived in Gaul, Britain, and Germany, the circumstances of existence would have been even more precarious. The skilled metal-work to which Braudel referred would have been the preserve of a small craft elite, an elite working at the behest of a comparative handful of tribal chieftains. Certainly, northern Gaul and Britain remained the most backward corner of Rome's empire, Plutarch (c.AD100b 1999: 321) questioning the logic behind the conquest of Britain with the observation that, "there was nothing worth taking from people who lived such hard and impoverished lives." If we accept the argument (Hopkins 1978; Schiedel and Freisen 2009), as this author does, that the population of Roman Italy was around six million at the end of the first century BC, then it is difficult to believe – as Braudel (1986/1990: 83) suggests – that Gaul had "a minimum" of "8 or 9 million" at this time. A population total in the region of half that suggested by Braudel seems more likely. While Roman conquests unquestionably brought the Celtic and Germanic peoples of northern Europe into a permanent engagement with the Mediterranean world, they also entailed – as they did elsewhere – suffering and devastation. Of Julius Caesar's genocidal wars against the Gauls, Plutarch (c.AD100b/ 1999: 314) records that in "less than ten years . . . he killed 1,000,000 and took the same number of prisoners." While in southern Gaul any depopulation was offset by the settlement of army veterans and immigrants from Italy – an outcome that contributed to the permanent "Latinization" of the region – the effects of urbanization and other positive attributes of Roman rule were far less pronounced in northern Gaul and Britain. Of these regions, Stevens (1941/1966: 118) writes, "town life hardly existed." If it is thus true, as Polybius (c.150 BC/ 1979: 285) noted, that incorporation into the Roman world made the peoples of western Europe and the Mediterranean Basin "an organic whole," peoples whose fate was to henceforth to be intimately interwoven, then it is also the case that geographic and nature continued to exert arguably even more powerful influences. Disparities, inequalities, and an unevenness of economic development remained antiquity's essential hallmarks.

Conclusion

In considering the world of antiquity, it is easy to become fixated on the achievements of the great urban centers of the Mediterranean Basin: Babylon, Tyre, Jerusalem, Athens, Corinth, Carthage, Rome. It was in these cities that the cultures of antiquity found their most vibrant expression in art, architecture, literature, politics, commerce, and trade. It is also to the citizens of these cities – Herodotus, Thucydides, Polybius, Livy, Plutarch – that we owe much of our understanding of the ancient world. We have to constantly remind ourselves, therefore, that this urbanized experience was an atypical one in antiquity. For an overwhelming majority, life involved a monotonous struggle to eke out a living from the land. One day was much like the next, life being dictated by the rising and setting of the sun and the changing of the seasons. This applied as much to the people whose lives appeared the freest, the nomadic horse-people and herders of Eurasian and North Africa plains and deserts, as to the Egyptian peasant wedded to their patch of soil. Even by comparison with the poorest peasant-farmer, the typical herder had few possessions. For each morning, the nomadic clan had to pack up their worldly possessions and move to new pastures. In summer these pastures were likely to be in cooler, mountainous regions, a fact that necessitated the constant crossing of streams, high-altitude passes, and areas of broken ground. In winter, even in North Africa, a return to lowland valleys exposed one to snow-blocked paths and raging torrents. Of the Celtic population of the Po Valley in the second century BC, a people who combined slash-and-cultivate agriculture with pastoral transhumance, Polybius (c.150 BC/ 1979: 128) noted that their only "possessions consisted of cattle and gold, since these were the only objects which they could easily take with them." For peasant farmers, the security of having the same roof over one's every night was offset by the fact that, as a member of a more organized society, one was exposed to the constant demands of one's political and social superiors: for taxes, religious tithes, forced labor, and military service. Often, even in good seasons, these demands could leave the famer and his family eking out a bare subsistence existence. In bad seasons, people starved. In short, life for most – as Thomas Hobbes (1651/2002: 62) expressed it, in summarizing the condition of pre-industrial existence more generally – was "poor, nasty, brutish, and short."

For all the architectural and intellectual achievement of antiquity, there was remarkably little progress in either manufacturing or, more particularly, agriculture. Even in classical Greece, as Meikle (2002: 242) observed, manufacturing was the preserve of "a relatively small number of craftsmen producing in workshops of very restricted scale." Under the Roman Empire outside Italy, it is probable that 90% of the population were still confined to agricultural and pastoral pursuits. Even in Italy itself, at the height of Empire, "power and wealth" was primarily dependent, as Hopkins (1978: 6) recorded, upon "the area and fertility of the land which each individual possessed." In these circumstances of low rural productivity and an artisanal manufacturing sector – which placed a firm ceiling on the possibilities for per capita increases in wealth – social and economic progress could only come by one means: through increased inequality, by the concentration of wealth in the hands of particular societies at the expense of others, and through the enrichment of the few at the expense of the many. Consequently, the architectural marvels of the Athenian Acropolis rested not on the natural wealth of Attica but rather the expropriated treasure of the so-called Delian League, Athens' subject maritime empire. Similarly, the atypical situation found in Italy under the Caesars, in which perhaps 30% of the population lived in towns and cities, reflected the fact that the Empire was able to call on the agricultural bounty of the whole Mediterranean Basin. Such dynamics meant, in short, that managerial endeavor in the ancient world was directed towards fundamentally different economic purposes to that found in modern, democratic societies. Whereas management has since the Industrial Revolution has *primarily* acted as a social institution for increasing societal wealth, in antiquity the main purpose of state bureaucrats, tax-collectors, and agricultural overseers was to ensure a *concentration* of wealth so as allow for both state-funded construction projects (i.e., pyramids, aqueducts, roads, canals, temples, etc.) and the personal extravagances of a few.

Cross-References

► Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
► Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds
► What Is Management?

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Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds

8

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Contents

Abstract

In this second chapter on management in antiquity, we focus on the managerial success and failure of Greece, the Hellenic world, and Rome. As in the first chapter, we argue that, in the final analysis, these societies were managerial failures. Greece and Rome proved only marginally more successful than ancient Egypt and Mesopotamia in breaking the bonds imposed by a preindustrial economy. Many of the basic technological attributes that characterized Medieval Europe – cast iron, crop rotation, the wheeled plough, windmills – were conspicuous by their absence. In Rome, notable achievements in construction (aqueducts, sewers, roads, concrete) were not matched by productivity-enhancing in either agriculture or manufacturing. In the western Roman Empire, the most significant economic development – which did temporarily improve rural per capita output – was the slave-operated latifundia, an institution founded in suffering and misery. As time went on, Rome failed to even maintain the mining output necessary to

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support its gold and silver coinage. By AD200, in consequence, Rome was sliding back into a barter-based economy. The key legacies of ancient Greece and Rome are thus not found in material achievements but rather in their intellectual insights; insights that emphasized such concepts as democracy, citizenship as a system of rights and responsibilities, representative government, organizational checks and balances, and equality before the law.

Keywords

Civilization · Rome · Greece · Technology · Germanic · Celtic · Arab · Medieval · Religion · Islam · Christianity · Transport · Technology · Slavery · Law · Cicero · Tacitus · Thucydides · Africa · Egypt · Gaul

Introduction

In Part 1 of our study of management in antiquity, we described how societies within what we referred to as the "civilized frontier" fell into three broad economic types; the river valley civilizations of Mesopotamia and Egypt where societal wealth was built around irrigated crops; cultures built around dry-land crop cultivation, most particularly of wheat (Greece, the Middle Eastern hill country, Italy, Spain, southern Gaul); and the societies whose wealth rested on maritime commerce and trade (Phoenicia, Carthage, Greece, and the Greek colonies of the western Mediterranean). Of these three types of societies, it was the latter which long appeared most likely to break out of the constraints imposed by geography and pre-industrial technology. For in the world of antiquity the creation of a civilization (i.e., societies characterized by cities and urbanized populations of priests, bureaucrats, traders, writers, etc.) could only come about by one of two means. Either one could concentrate the resources of one's own society by shifting wealth from the rural sector to the urban centers (a strategy pursued in Mesopotamia and Egypt) or one could draw on resources from other societies. Given the prohibitive cost of land transport, the latter strategy was most feasible if one controlled the sea lanes to one's homeland; a strategy that entailed either one becoming a significant naval power or the military occupation of the port cities from which others could disrupt one's maritime commerce. Despite the proximity of the civilizations of antiquity to the Mediterranean and Black Seas, it is at first glance surprising how few societies ventured down the maritime route. The great civilizations of Mesopotamia and Egypt remained perpetually land-locked, their water-borne activities being effectively confined to the Tigris, Euphrates, and Nile rivers. Other notable societies in antiquity – Assyria, Israel, the Hittites, the Celts – also never ventured to sea in an economically significant way. In the Old Testament, the only maritime adventure that is recorded involves Jonah being thrown overboard by terrified sailors caught "in a great storm," whereupon Jonah (c.300 BC/1985: 1541) is famously swallowed by "a great fish." The reason for the paucity of maritime cultures in the Mediterranean Basin reflected not only the risk entailed but also the investment of capital, labor, and time which naval and maritime life entailed. As the great Athenian leader, Pericles, is recorded as saying in 432 BC: “Seamanship, just like anything else, is an art. It is not something that can be picked up and studied on one’s spare time; indeed, it allows no spare time for anything else” (Thucydides c.411 BC/1954: 121). When Rome, hitherto a distinctly land-locked power, fought Carthage for naval control of the western Mediterranean in the First Punic War (264 BC–241 BC), the financial costs were enormous. As Polybius (c.150 BC/1979: 109) recorded, “never before in the history of the world have two such immense forces been ranged against each other at sea.” In the course of the war, the Carthaginians lost 500 quinqueremes, the five-decked warships that had become the key to naval victory. For the Romans, who only learnt the ropes of seamanship in the course of the conflict, the costs were even higher, the Latin-speaking power seeing 700 of its quinqueremes sent to the bottom (Polybius c.150 BC/1979: 109).

The naval dominance of the Greeks and Romans allowed each of these cultures to establish what Braudel (1977: 81–82) called a “world economy” within their realm of maritime and military influence, an economy in which the wealth of imperial peripheries were marshaled and directed towards the political and economic center. A maritime people almost from the outset the Greek world, even in the sixth century BC, stretched from the Black Sea’s Crimean peninsula – where they traded olive oil and wine for grain and slaves – to Syracuse in Sicily, and Massilia (Marseilles) in southern Gaul (France). Long the dominant maritime force in the eastern Mediterranean, Greek cultural hegemony was extended to Egypt and the Middle Eastern hinterlands by the conquests of Alexander the Great in the fourth century, a cultural hegemony which was to last – despite Rome’s annexations in the first century BC – until the Arab conquests. The incorporation of the Egypt, the Middle East, and the eastern Mediterranean under Rome’s imperial rule thus resulted in a single *economic* zone, within which wealth was now directed towards Italy and Rome, but two *cultural* zones: a Greek-speaking East and a Latin-speaking West. Yes, it is true that the Romans themselves became Hellenized to a greater or lesser degree. Among educated Romans, an ignorance of Greek language and culture caused one to be regarded by one’s social superiors as an uneducated gutter-snipe. Among the worst insults that Plutarch (c.AD100a/1999: 123) hurled in the direction of Gaius Marius – a general who reorganized the legions, thereby saving Italy from disaster at the hands of Germanic invaders – was the allegation that “he never learnt to read and write Greek and never spoke Greek on any important occasions.” The Roman Empire, the final cultural and economic expression of the world of antiquity, thus preserved – and passed on to the modern world – two distinct philosophies and cultures, each of which encapsulated markedly different models for societal organization. Although mature Roman society bore a heavy Greek imprint, it always remained markedly different.

In many ways, Roman differences were socially and culturally liberating. Unlike the Greeks, who always perceived “citizenship” in terms of ethnicity and one’s birthplace, the Romans came to embody a transnational view of “citizenship,” something which could be conferred on any legally free individual who owed Rome allegiance: regardless of race or creed. By comparison with the ancient Greeks, Roman society also allowed women greater economic and social scope. Roman women could, unlike their Greek sisters, own large estates and lend money in their own right. They could, and did, mingle freely with men in important social events (see, for example, Gardner 1986/1991; Fraschetti 2001). Roman engineering skill with aqueducts and sewers overcame many of the sanitary problems that cursed Greek life, turning the multicity Olympic Games into a vast open cesspit. On the other hand, even by comparison with the highly militarized societies of classical Greece, Rome was a society geared towards war and its benefits, Plutarch (c.AD100b/1999: 74) recording that in the wake of the Roman conquest of Macedonia in 168 BC "the public treasury" was filled "with so much money that the people were exempt from taxes." Organized violence was, in short, the key to Roman success. If, in consequence, we owe much of our laws and political practices to Rome – representative government, equality before the law, citizenship open to all who pledge allegiance – in the field of management we owe the Romans precious little. Their one great economic innovation, which *did* raise rural productivity in the western Mediterranean basin, was the slave-operated *latifundia*, a place of enslavement, suffering, and misery. In consequence the positive legacies of Greece and Rome were primarily in the realm of ideas, in the words that they wrote and spoke, rather than their material achievements.

Breaking the Bonds of Geography: Success and Failure in the Hellenic Mediterranean

In a series of lectures given in London in May 1840, the English historian, Thomas Carlyle, argued that human achievement is primarily built upon ideas and human aspiration, rather than technology and economics. The key legacies of the past are thus intellectual, not material. Emphasizing his point, Carlyle (1840/2013: 92) observed of the legacy of ancient Greece:

> Greece, where is it? Desolate for thousands of years; away, vanished . . . Like a dream; like the dust of King Agamemnon! Greece was; Greece, except in the words it spoke, is not.

The view that the enduring legacy of classical Greece was one of intellectual attainment, "in the words it spoke," was clearly one sensed by the ancient Greeks themselves. In his *History of the Peloponnesian War*, Thucydides (c.411 BC/1954: 162) records the Athenian leader, Pericles, as saying that although "all things are born to decay," the achievements of Athens were such as to "be remembered for ever by posterity." The sense that the achievements of the Greeks were intellectual rather than material is also reflected in the assessment of economic historians. In tracing "the history of technology," Carlo Cipolla (1981: 167) noted that most share an appreciation that the "Greco-Roman world, while highly creative in other fields of human activity, remained . . . strangely inert in the technological field." An indicative assessment is that made by Scott Meikle (2002: 242), who argues that the Greek predilection for hoarding currency – often burying it in the ground for subsequent discovery by modern day treasure-seekers and fortunate Grecian home-renovators – was economically rational given that there was "no possibility of the productive investment of money . . . and consequently there was virtually no lending for that purpose." "The bulk of production in the Greek world of the classical period," Meikle (2002: 242) also notes, "was done by free peasants at or near subsistence," a class of people not renowned for productive efficiency. In the highly militarized society of Sparta, the mundane tasks of commerce and manufacture were the preserve of noncitizens, an outcome that allowed Spartan adult males to devote all their time to warfare. Spartan agriculture rested on the enserfed *helots* of Messinia, a people who lived in dire circumstances. The most conservative of societies, the Spartan's constitution, according to Polybius (c.150 BC/1979: 344), also prohibited Spartans from using the gold and silver coinage of their neighbors. Instead, they are recorded as relying on "the exchange of their crops" and an "iron currency" made from Laconia's iron ore deposits. Of the Spartans and the other people of the Peloponnese, Pericles is cited as saying, "They are farmers . . .they have no financial resources either as individuals or states" (Thucydides c.411 BC/1954: 120–121).

Across classical Greece, the war-time practice of devastating the olive trees and vineyards of one's opponents – crops whose replacements could take a decade or more to return to their former productivity – also acted as a constant curtailment to economic expansion. Meanwhile, the growth of commerce was curtailed by the absence of any system for tracing strings of debits and credits that could be settled through a final transfer at the end of a given period. The ready supply and apparent cheapness of slave labor also reduced the need for managerial or technological innovation. According to Duncan-Jones (1978: 162–163), a slave could be purchased in classical age Athens for a sum equivalent to a skilled craft worker's wage for 180 days. Seven centuries later, in the imperial Rome of the Emperor Diocletian, adult male slaves cost more than five times as much. Taken together, the obvious economic deficiencies of classical Greece – the absence of formalized credit arrangements, subsistence agriculture, a lack of technological innovation in either agriculture or manufacturing, and a propensity for internecine warfare – can only have had retrograde effect on the whole society. Unsurprisingly, by the middle of the second century BC, Polybius (c.150 BC/1979: 537) was reporting that the old Greek heartlands were suffering from "a general decrease of the population," a desertion of cities, and falling "agricultural production."

Although there is no doubting the intellectual dynamism of classical and Hellenistic Greece, its conceptual interests were typically only tangentially related to productive pursuits. Indeed, often the elitism of high Greek culture mitigated against symbiotic relationships between inquiry, theoretical science, and technological innovation. This tendency was arguably most evident in the work of Aristotle, whose ideas on science had a retarding effect on not only the world of antiquity but also medieval Europe. The essential problem with Aristotle's (c.330 BC/1941: 689–670, 712–713) philosophy of science is found in the clear distinction that he drew between "practical" and "empirical knowledge" on one hand (i.e., medicine, carpentry, etc.) and "natural science" and "theoretical knowledge" on the other. For Aristotle (c.330 BC/1941: 712, 860–861) "empirical knowledge" can never do more than provide a basis for "action". It cannot provide mechanisms for determining "truth," "theoretical knowledge," or "universal knowledge," terms which he used interchangeably. Conversely, “truth” and “natural science” – which Aristotle (c.330 BC/1941: 861) associated solely with theoretical physics, mathematics, and theology – can only involve understanding of the inner “essence” of things that “suffer no change,” a category within which he fallaciously included “the heavenly bodies” (Aristotle c.330 BC/1941: 859).

If the economic deficiencies of the classical Greeks are evident to inquiry, we are left with the realization that there must have been strengths that offset these weaknesses, strengths that allowed the navies and armies of Greece and Macedonia to conquer the Eastern Mediterranean, creating a cultural dominance that was to endure in almost unchallenged fashion until the Arab conquests of the seventh century AD. The most obvious strength was organizational or political, expressed in a uniquely Greek combination of individual initiative and social cohesion. Unencumbered by the stultifying state bureaucracies of Mesopotamia and Egypt, the Greek emphasis on individual rights and social responsibilities found its most iconic expression in Pericles’ funeral oration to Athens’ fallen hoplite soldiers in 431 BC. In contrary to other societies, Pericles is recorded (Thucydides c.411 BC/1954: 147) as saying, “each single one of our citizens, in all the manifold aspects of life, is able to show himself the rightful lord and owner of his own person” (i.e., the society is premised on individual freedom). At the same, Pericles added, “this is a peculiarity of ours; we do not say that a man who takes no interest in politics is a man who minds his own business; we say that he has no business here at all” (i.e., citizenship involved pro-active social engagement). This combination of individual right and social responsibility found military expression in the peculiarly Greek phalanx, a formation that confronted its foes with a solid wall of shields (*hoplon*) and spears. Intact, the phalanx was near invincible. If it crumbled at a single point, then all were imperiled. As Cartledge (1977: 15–16) noted in emphasizing the importance of social cohesion in classical Greek warfare: “Warfare between masses of phalanxes (*phanges*) was not a graceful or imaginative affair, but required above all disciplined cohesion and unyielding physical and moral strength.” The second Greek innovation with revolutionary combat potential was the trireme, a sleek warship with three decks of rowers tipped with an underwater bronze ram. According to Thucydides (c.411 BC/1954: 42), the trireme was a Corinthian invention, an invention that allowed it for a time an unmatched domination of “the sea routes,” the city subsequently growing rich “from the revenues which came to it.” It was, however, the Athenians who became the ultimate masters in the use of triremes. When a rich new seam of silver was discovered at Laurion the Athenian politician and subsequent naval commander, Themistocles, persuaded his fellow citizens to invest the windfall in the construction of 200 triremes. Upon this fleet the Persian invasion of Greece floundered at Salamis in 480 BC, a victory that heralded the golden age of Athenian maritime and cultural supremacy.

It says much for the militarized nature of the Greek city-states that their most obvious technical innovations related to warfare. Arguably, however, the greatest strength of the Greeks was that they became, far more so then their maritime rivals, the Phoenicians, a genuine “world-wide” civilization, a civilization that became part of the cultural heritage of the wider Mediterranean Basin and, ultimately, humanity as a whole. Although there is a popular tendency to think of “Greece” as classical age

Athens and Sparta, or as comprising merely the geographic area represented by the modern Greek republic, the Greek world was always much more than this. A maritime people from the outset, the Greek's historic "homelands" included Crete, the Aegean islands, and Ionia in modern day Turkey. Of the Greek city-state of Byzantine (modern day Istanbul), Polybius (c.150 BC/1979: 282) observed that its position "in relation to the sea affords greater advantages for its security and prosperity than that of any other city in our quarter of the world." As early as the seventh century BC, Greek colonies, trading posts, and city-states were well established in southern Italy, Sicily, Sardinia, Corsica, Spain, and southern Gaul (France). With the establishment of Massilia (modern day Marseilles), the Gallic hinterland was opened up to Greek commerce, a trade built around the exchange of Gallic grain and slaves for Greek wine and olive oil. From its dominating position on the Sicilian coast, the greatest of the western Greek city-states, Syracuse, competed with Carthage for maritime control of the east-west shipping trade.

If maritime prowess opened up the western Mediterranean to Greek commerce and culture, it was to the Macedonian phalanx, and the military skill of Alexander, that Greece initially owed its political, linguistic, and cultural domination of the East. Under Alexander's military successors the Hellenistic kingdoms of the Seleucids (Syria, Palestine, Mesopotamia) and the Ptolomies (Egypt) assumed a commercial and even intellectual significance that soon eclipsed the old city-states of the Greek homelands. The new Hellenistic cities – Antioch, Seleucia and, above all, Alexandria – soon boasted populations of between 100,000 and 200,000 people, totals that made them comparable in size to Athens at the height of its powers (Roberts 2007: 218–219; Van Wees 2011: 111–112). As was the case with subsequent Roman conquests, these Hellenistic cities benefited from the looting of treasuries during the Macedonian conquests, an outcome that stimulated commerce by releasing hoarded coinage back into circulation. But they also became centers for learning and scholarship. As Roberts (2007: 220) notes, Alexandria and Pergamon (in modern day Turkey) boasted "the two greatest libraries of the ancient world." It was Pergamon which introduced parchment as an alternative to less durable papyrus, an alternative that was to remain the principal writing material throughout the medieval era. It was Alexandria, however, that became the leading center for mathematics, science, and innovation. To Alexandria the world owes the geometry of Euclid. As noted in Part 1, it was also almost certainly to Alexandria that antiquity owed the high-capacity water-wheel and the "Archimedean" water-screw, inventions that were to transform water irrigation in the Near East (Wilson 2002: 7).

In reflecting on the rise and decline of cultures and civilizations, Braudel (1946/1990: 763) concluded that, "The mark of a living civilization is that it is capable of exporting itself, of spreading its culture to distant places." It is in this capacity to spread its wings – to move beyond what Braudel (1946/1990: 770) calls "its geographical cradle" – that we see the enduring legacy of Greece, a legacy evident in modern management as much as any other sphere. For when, as management historians, we think of the legacies of antiquity we need to distinguish between actual managerial achievements – which were generally slight in the case of Greece – and the heritage bestowed by not just the words they spoke but also by the values that their societies encapsulated, societies which, for all their diversity and division, emphasized rationality, inquiry, a respect for the individual worth of their fellow citizens, and a passionate engagement with the communities in which they lived. It is these latter qualities, rather than Greek and Macedonian military victories, that best explain the pervasive and enduring influence of Greek culture and language in the Middle East from the fourth century BC onwards. Yes, it is also true, that the Hellenistic kingdoms were no democracies, quickly adopting the absolutist behaviors of the emperors and pharaohs whom they had supplanted. Yes, it is true that in Israel and Egypt, two ancient cultures with a deep and abiding attachment to their unique forms of religious faith, the advance of Greek culture was met with revolt and armed resistance. In the Old Testament's passages on the Maccabees we therefore read how revolt was instigated when the Seleucid "king sent Gerontes the Athenian to force the Jews to violate their ancestral customs and live no longer by the laws of God, and to profane the Temple in Jerusalem and dedicate it to Olympian Zeus" (Maccabees 2 c.160 BC/1985: 727). In consequence, the Old Testament account continues:

> Judas, otherwise known as Maccabaeus, and his companions made their way secretly among the villages, rallying their fellow-countrymen; they recruited those who remained loyal to Judaism . . . Making surprise attacks on towns and villages, he fired them . . . and inflicted very heavy losses on the enemy (Maccabees 2 c.160 BC/1985: 731).

Successful as the Maccabean revolt was in re-establishing an independent Jewish state – a state that maintained its existence under the Hasmonean dynasty until the assertion of Roman rule after the death of Herod the Great – even it proved incapable of holding back the tide of Greek culture and language. In Israel's most densely settled district, the Galilee region, Greek inscriptions were appearing in synagogues by the first century BC. The major towns in the region – Tyre, Carmel, Ptolemais, Scythopolis – were Hellenic in culture and language. Among the large Jewish *diaspora* in Alexandria, Antioch, and the other major cities of the Near East, it is probable that most preferred Greek to Hebrew or Aramaic (Hengel 1969/1974; Hengel 1980; Feldman 1986). The presence of Greek documents among the Dead Sea Scrolls indicates, as Feldman (1986: 87) observed, "that knowledge of Greek had penetrated even the most fanatical religious groups." Almost certainly Jesus and his Apostles were at least partially fluent in Greek. Of the three original or Synoptic Gospels, those by Mark and Luke were originally written in Greek. Mathew's Gospel was quickly translated into this idiom, the lingua franca of the Near Eastern world (Wansbrough 1985).

The attractiveness of the Greek culture is not only indicated by its increasingly dominant placement in the Near East, a region where Greek ideas and beliefs had initially advanced at the point of the Macedonian *sarrisa*, the six meter pike which was the favored weapon of the Alexandrian phalanx. Its dynamism is also evident in the intellectual victories obtained in the world of its Roman military conquerors. In summing up the influence of Greek culture on Rome, and through the Romans on us, Gibbon (1776/1910: 39) observed in his *Decline and Fall of the Roman Empire* that:

> . . . victorious Rome was herself subdued by the arts of Greece. Those immortal [Greek] writers who still command the admiration of modern Europe, soon became the favourite object of study and imitation in Italy and the western provinces . . . it was almost impossible, in any province, to find a Roman subject of a liberal education, who was at once a stranger to the Greek and to the Latin language.

Plutarch, in his life of Cato the Elder, noted that even in the second century BC this fierce upholder of traditional Roman values was unusual in rejecting an embrace of Greek culture. "No one else in Rome had any objection to what was happening," Plutarch (c.100a/1999: 30) observed, "they were glad to see the younger generation acquiring some Greek culture." In dismissing as wholly spurious Cato's oft spoken belief "that Rome will be destroyed when it has become infected by Greek learning," Plutarch (c.100a/1999: 31) advised his readers – who lived at the peak of Empire some 250 years after Cato's death – that "we can see that this slander of his is hollow, since we live at a time when Rome is at the pinnacle of political success and has appropriated Greek learning and culture." As noted early, not only were the households of the Roman elite administered by predominately Greek slaves and freedmen, so too – up to and including the reign of Claudius – was the imperial bureaucracy. The imperial embrace of all things Greek is also clearly indicated in Suetonius' account of an aged Emperor Augustus's sojourn at the Isle of Capri; a community that was infamously associated with sexual debauchery under Augustus's successor, Tiberius. Free to give vent to his natural instincts, Augustus is described by Suetonius (c.139/1957: 105) as spending "a long time watching the gymnastic training of the many local *ephebi* – Greeks who had reached their nineteenth year but were not yet old enough to become full [Roman] citizens." Augustus also insisted of his household that, while at Capri, "the Romans should talk Greek and dress like the Greeks, and the Greeks should do the opposite." It is with the philosopher emperor, Marcus Aurelius, however, that imperial Rome arguably embraced Greek culture to the fullest. Beginning his philosophic *Meditations* with an acknowledgement of his debt to his "Greek training," Aurelius (c.AD 170/2006: 3) proceeds to set out principles for good government that are, in many of their features, consistent with the underlying ethos of Periclean Athens. We are thus informed that a political "commonwealth" should be "based on equality and freedom of speech" and respect for "the liberty of the subject" (Aurelius c.170/2006: 5); that the purpose of political union should always be directed towards "the benefit of our fellow citizens" (Aurelius c.AD 170/2006: 112); that "Justice is the best aim, as any failure is in fact a failure of justice" (Aurelius c.170/2006: 98).

If the Roman embrace of Greek culture was far-reaching, creating a synthesis to which the modern world owes a common debt in so many fields – architecture, drama, mathematics, philosophy, literature, medicine, rational inquiry, logic – the Romans were not Greek, any more than we are Roman. Rather than knitting into a single whole, the division between the Greek-speaking Eastern Mediterranean and the Latin-speaking western Empire become ever more pronounced over time, a division that was formalized in AD330 with the founding of a new imperial capital, Constantinople, on the site of the former city of Byzantine. A revealing difference between the two culture, Latin and Greek, is a Roman enthusiasm that the Greek world hardly ever embraced: gladiatorial games, battles fought to the death by slaves for public entertainment. In reflecting on the comparative rarity of gladiatorial amphitheaters in the Hellenistic east, and their conspicuous absence in the old Greek homelands, Carcopino (1940: 246) noted that "Greece itself fought tooth and nail against the contagion, and in Attica, at least, apparently succeeded." Although they were themselves members of violent, militarized societies, the Greeks found the Rome predilection and capacity for violence as too excessive for their taste. Arguably, it is this Grecian humanity, with its inherent respect for freedom and individual rights, which lies at the core of the continuing appeal of the ancient Greeks to the modern world.

Breaking the Bonds of Geography: Success and Failure in the Roman Republic

The enduring physical remnants of the Roman world, which stretch from Hadrian's Wall in a once remote northern corner to Britain to the marvels of Palmyra in the midst of the Syrian desert-lands, are seeming proof of Rome's past managerial and economic prowess. Of the Roman aqueducts, remarked Edward Gibbon (1776/1910: 48), an author whose account of Rome did much to shape popular understandings, "The boldness of the enterprise, the solidity of the execution, and the use to which they were subservient, rank the aqueducts among the noblest monuments of Roman genius and power." Under Roman rule, claimed Gibbon (1776/1910: 48–49), Italy was home to 1179 cities. "Gaul could boast of her twelve hundred cities." Thanks to the Roman skill at road building, Gibbon (1776/1910: 50) continued, "All these cities were connected with each other, and with the capital, by the public highways, which issuing from the Forum of Rome, traversed Italy, pervaded the provinces, and were terminated only by the frontier." Such was the construction of these roads, Gibbon (1776/1910: 51) accurately concluded, that their "firmness has not entirely yielded to the effort of fifteen centuries." In construction, the use of concrete was, as Mogetta (2015: 1) recently observed, "a quintessentially Roman achievement," its usage from the first century BC onwards allowing for new building styles, shorter project times, and a solidity of completed edifices. The mass production of fired bricks also provided Roman buildings with an enduring strength. In commerce, the introduction of a single currency outside of the imperial domain of Egypt (where coinage from elsewhere in the Empire was excluded) fostered trade and interchange. Even in Judea, an outpost of empire, Roman currency was all pervasive. When, in Luke's Gospel (c.AD65/1985, Book V: Chap. 20) Jesus asks of his inquisitors, "Show me a denarius. Whose portrait and title are on it?" he and his listeners know without looking what the answer will be: "Caesar's." Benefiting from the wealth of empire, Rome found itself at the center of a vast logistic web. "In the city and its suburbs," Carcopino (1940: 176) reflected, "the sheds of the warehouses (*horrea*) stretched out of sight."

While there is good reason to be impressed by Rome's technological and material achievements, there is even better reason for reminding ourselves of the things that it lacked, deficiencies that condemned the inhabitants of republic and Empire to life within a preindustrial society, with all the limitations and restrictions which that necessarily entailed. Unlike ancient Chinese societies, and those of Medieval Europe, Rome never developed the skill and capacity to cast iron, a short-coming that ensured a deficit of metal goods, most particularly in the agricultural sector. As noted in Part 1, Roman agriculture also lacked the soft leather collars that would have allowed for the efficient harnessing of horses as plough animals, an animal capable of four times the field work of Roman oxen. Roman horses, like those found elsewhere in antiquity, were also utilized without the benefit of either metal shoes or stirrups, deficiencies that severely limited their utility. In agriculture, the absence of the heavy, wheeled-plough that became standard in Medieval Europe made working the rich but heavy soils of Northern Europe's valley bottoms wellnigh impossible. A range of crops that became dietary staples in the medieval era – rye, oats, millet, hard durum wheat with its high protein content, rice, sugarcane, lemons, oranges – were other notable absentees (Ganshof and Verhulst 1941/1966). New World crops, such as the tomato and the potato, were also unknown. Although the Romans do appear to have invented the water-mill, the extent of its usage is much debated (for conflicting views, see Wilson 2002; Saller 2002). They certainly never invented the wind-mill, which was capable of operating a larger motor than the water-mills of either antiquity or Medieval Europe (Cipolla 1981: 174). The Roman world also operated without either mechanical clocks or magnetic compasses. On the maritime front, although the Romans emulated the Carthaginians in becoming masters of the quinquereme (five-decked) oared warship, their ship-building techniques differed in no significant way from those utilized by the Phoenicians and Greeks. Unlike medieval ship-wrights, who constructed a ship by first laying down its keel and ribbed frame before attaching the planking, their Greco-Roman predecessors did the reverse. Only when the planking was all laboriously assembled did the Greeks and Romans choose to install the internal frame. At sea the single-masted ships of antiquity had a limited capacity to tack into the wind; a failing that effectively restricted sea-borne travel to the direction of the prevailing trade winds. Even when winds where favorable the mariners of antiquity hugged to coast wherever possible. By comparison, the triple-masted caravel-type vessels pioneered by the Portuguese were to open the broad spaces of the Atlantic and Indian Oceans to European exploration and conquest (Cipolla 1981: 177–177).

Of all the absentees from the societies of republican and early imperial Rome, arguably the most significant was an item that even the medieval world took for granted: the "book," i.e., written material recorded and collated in "codex" rather than tablet or scroll fashion. Although the "codex" book – in which rectangular sheets of papyrus, parchment or paper are bound together and protected by a hard outer cover – appears to have been an invention of the late Roman republic its use only became commonplace during the Late Empire. Even then its systematic use was largely the preserve of religious groups, most particularly the various Christian sects, denominations who were to subsequently make the codex book the foundation of their intellectual authority. In comparison with scrolls, the benefits of codex books are manifest. Not only can they be used with greater ease than scrolls, they are also easier to preserve. Most significantly, they allow a complex series of interrelated texts to be gathered together in one place. Prior to the Christian adoption of codex forms of writing and compilation in the fourth century AD, for example, there was no conception of religious texts known as the "Bible," the "Old Testament," or the "New Testament." Rather there was simply a multitude of separate scripts, handed down from posterity without any agreed ordering or linkages. Reflecting on the common adoption of codex books around 400 AD, and their enthusiastic adoption by Christian scholars, Vessey (2007: xxxv) observes that "it held something of the promise of the Internet for users around the year 2000. It was a new technology of knowledge, a lively and liberating new medium of thought and exchange, with power to change worlds." It was a revolutionary and transformative power that the Roman world of Cicero, Julius Caser, and Augustus – to the extent to which it possessed this technology – chose to forgo.

The lack of technological innovation that characterized Roman society other than in fields related to engineering and construction (i.e., concrete, brick-making, roads, amphitheatres, aqueducts, and sewers) makes improbable the assessment of the economic historian, Mikhail Rostovtzeff, that even "in the early period of her history," Roman Italy "was not a poor country" (Rostovtzeff and Fraser 1926/1957: 9), a view echoed more recently by Peter Temin (2012: 2) who concluded that Romans "lived well as a result of extensive markets, comparative advantage, and technological change." Such conclusions run counter to not only logic, they are also at odds with most of the literary record from antiquity. Livy, in his *History of Rome from its Foundations*, for example, attributes early Roman success to thrift and a capacity to survive hard times. Of all of the societies with which Rome was acquainted, Livy (c.AD14a/1960a: 34) advised, "no country" was "free for so many generations from the vices of avarice and luxury" as Rome. "Indeed," Livy (c.AD14a/1960a: 34) continued, "poverty, with us, went hand in hand with contentment." Of the Roman urban populace in the sixth century BC, Livy (c.AD14a/1960a: 105) declares them to be "a rabble of vagrants, mostly runaways and refugees" from nearby Etruscan cities. Even as Rome prospered the tradition that the society was foundered on poverty, thrift, and hard work remained deeply ingrained. Of Cato the Elder, typically held up as the firmest exponent of Roman values, Plutarch (c.100a/1999: 10) records that in the afternoons "he worked alongside his slaves, wearing in wintertime a labourer's toga and in the summertime no more than his underclothes; after work . . . he sat down with his slaves, eating the same bread and drinking the same wine." By temperament, Romans were natural stoics, people willing to happily accept defeat and setback. It is thus hardly surprising that the Roman world produced arguably the defining expression of Stoic philosophy in Seneca's *Letters from a Stoic*. For Seneca (c.AD70/1969: 48), as for the Romans as a whole, the ideal citizen was one "who refuses to allow anything that goes badly to affect him . . . a mind that is 'invulnerable' and 'above all suffering'."

It is Rome's early poverty, and a common determination of the Roman citizenry to enrich themselves through war at their neighbor's expense, rather than any inherent riches, that are the best explanations for Rome's initial expansion. Rome was, Livy (c.AD14a/1960a: 54) observed, a society "founded by force of arms," a comment that at one and the same time acknowledged both its legendary creation at the hands of the Trojan hero, Aeneas, and the violence that accompanied its expansion. As early as the eighth century BC, Livy (c.AD14a/1960a: 56) records, Rome's neighbors "considered her not so much as a city as an armed camp in their midst threatening the general peace." The Greek historian, Polybius (c.150 BC/1979: 82), in his account of *The Rise of the Roman Empire*, emphasized a similar point, noting that, "in general the Romans rely upon force in all their undertakings." Of the economic logic of Roman warfare, Appian (c.AD120/1913: 7), a Greek historian from Alexandria, observed that as Rome "subdued" other peoples, it "used to seize a part of their lands and build towns there, or enrol colonists of their own to occupy those already existing." For, under the early Roman republic, access to the spoils of war provided financial windfalls for rich and poor alike. When an enemy was defeated some or all of its land was typically seized for Roman settlement. Often the defeated population was sold into slavery, the soldiery sharing in the resultant profits. Although the "treasury" of subject peoples was seized by the Roman state, rank-and-file soldiers retained the loot which they seized in the moment of victory. Even those not on active service benefited from military success, Livy (c.AD14a/1960a: 376) recording that in the wake of Rome's victory over the Etruscan city of Veii in 390 BC, the Senate granted "some three and a half acres of land from the estates of Veii to every plebeian – not the heads of the families only, but including in the number of recipients all free-born members of each household." Such a formula meant that a family of six was gifted 21 acres of land, a total that approximated the maximum area that was manageable for small-scale subsistence farming.

That Roman military expansion went hand-in-hand with the expropriation of the wealth of other societies, with evident benefits to both the Roman state and individual citizens, is clear. What is less clear is why Rome, initially little more than a collection of villages around Central Italy's Tiber river, was so much more successful in this task than its many enemies. It was in search of answers to this puzzle that Polybius (c.150 BC/1979: 41) directed his study of the republic in the second century BC, declaring in the book's introduction that:

> There can be surely nobody so petty or so apathetic in his outlook that he has no desire to discover by what means and under what system of government the Romans succeeded in less the fifty-three years in bringing under their rule almost the whole of the inhabited world, an achievement which is without parallel in human history.

By common consent, Rome's extraordinary success has been attributed to its unique system of constitutional checks and balances, a constitution which saw a Senate of aristocratic *patricians* oversee the state's executive officers (military leaders, magistrates, religious officials, etc.) while leaving the *plebeian* populace the capacity to veto senatorial actions, either through votes in the popular assembly or through the intervention of their political representatives, the "tribunes." In assessing this Roman system of checks and balances, Polybius (c.150 BC/1979: 317) concluded that, "it is impossible to find a better form of constitution that this." Certainly, the Roman capacity for internal political compromise ensured that, for centuries, the often severe stresses and strains of war were confronted without recourse to revolution, Appian (c.AD120/1913: 7) accurately observing that until the late second century BC, "Internal discord did not ... bring them to blows ...The sword was never carried into the assembly." Another unique strength is found in the Roman willingness to extend citizenship to non-Romans on a large scale, a behavior which the Athenians, Spartans, and Corinthians of classical Greece would have regarded with incomprehension. Admittedly, the granting of citizenship appears to have originally acted as a form of forced population resettlement, a system whereby long-term Roman residents were relocated to conquered lands amidst their Latin enemies, passing on their way former enemies forced to settle in Rome. In describing this system's operation in 625 BC, Livy (c.AD14a/1960a: 71) records how, "Once again, thousands more Latins were given Roman citizenship and made to settle in the quarter [of Rome] where the Alter of Murcia stands." Once adopted as a principle for bringing former enemies within the Roman fold, however, citizenship was extended to an ever wider circle. Initially confined to Rome's Latin neighbors, and then to Italians, by the late Republic citizenship was being extended to supporters in the newly conquered provinces. Eventually, in AD212 under the Emperor Caracalla, citizenship was conferred on every legally free adult male resident within the Roman frontier. At this point, simply to live within the borders of Empire was sufficient qualification for the legal protection of citizenship, a protection extended without regard to ethnicity, race, or religion.

In modern representative democracies, the embrace of the Roman system of checks and balances is almost universal, not only in politics but also in business. In many democracies – Australia, the United States, France, Italy, to name a few – the "upper" parliamentary house, charged with oversight of both the executive and the elected popular assembly in the "lower" house, is given the nomenclature used in Rome: the Senate. Both houses are subject to popular scrutiny and, at regular intervals, re-election. Publicly listed businesses are subject to the same organizational principles. A board of directors, answerable to an annual vote of shareholders, oversees the executive officers who carry out the firm's day-to-day operations.

If in our modern world the acceptance of the constitutional principles of the Roman republic is almost unquestioned, in truth their Roman application – as is often typical with political compromises – merely covered over widening social and economic fissures, fissures which steadily undermined not only the constitution of the Roman republic but also the very social fabric upon which its success had been built. Whereas the armies of the early republic, the armies that defeated Hannibal and Carthage, were composed of a peasant soldiery fighting for their homelands, the ever increasing costs of war – and the growing availability of armies of slaves captured in war – eventually destroyed the precarious economics of small-scale farming. Yes, it is true, as we have previously observed, that the ordinary Roman citizen-soldier benefited from military victories. In addition to looted property, they regularly won the right to farm a few extra acres of land for themselves and their sons. It is also true that the mechanics of dry-land wheat cultivation allowed farmers and their sons a measure of seasonal leisure that could be devoted to warfare. But as the costs and duration of Rome's foreign wars became ever greater, the cost-benefit ratio increasingly worked against the small-scale citizen-farmer. As Keith Hopkins (1978: 4) has noted, "Over time, mass military service must have contributed to the impoverishment of many free Roman small-holders . . .Throughout the last two centuries BC there were commonly 100,000 Italians serving in the army, that is more than ten percent of the estimated adult male population." With the cost of war rising the Roman populace sought respite in a number of constitutional and legislative changes, each of which offered succor for a time. According to Livy (c.AD14a/1960a: 142), in 495 BC the popular assembly forced the Senate to accept the annual election of two "tribunes of the people," officials entrusted with the power of veto over judicial decisions and senatorial decree. At the same time, laws were passed making illegal the enslavement of citizens for unpaid debts. In 406 BC, soldiers were granted pay while on military service for the first time (Livy c.AD14a/1960a: 336). Under the tribunate of Gaius Gracchus (122–123 BC), a "dole" of grain was provided to Rome's urban poor at a subsidized price, a dole that was subsequently made free, becoming a unique feature of life in the capital (Appian c.AD120/1913: 21; Plutarch c.AD100a/1999: 104). None of these reforms, however, changed the economic and military dynamics of republican Rome. Indeed, some were soon regarded by the populace as having added to their plight. The payment of military wages while soldiers were away on ever longer campaigns forced, for example, the raising of a new tax. In pointing out the adverse effect of this impost, the tribunes cynically observed in 401 BC that, "the Senate's object in paying troops was simply to ruin by taxation those of the commons whom they failed to get butchered in the field" (Livy c.AD14a/1960a: 352).

At heart, republican Rome's very existence was founded on the implicit belief that a subsistence peasant economy could indefinitely sustain wars of foreign expansion. Inevitably, this implausible belief clashed with economic reality, triggering the series of conflicts that were to destroy the republic. According to the literary record (Plutarch c.AD100a/1999; Appian c.AD120/1913; Cassius Dio c.AD220/1914), the first of these crises was triggered in 134 BC when a young member of the senatorial class, Tiberius Gracchus, had cause to observe the economic state of the Italian countryside. As his brother, Gaius, recorded in a pamphlet cited by Plutarch (c.AD100a/1999: 89), "while Tiberius was travelling to Numantia through Etruria he saw the land had been abandoned, and how the only people framing or cultivating the land were slaves introduced from abroad." With the adult males in many peasant households away at war, "the rich," Appian (c.AD120/1913: 7) recorded, had been either seizing or buying up "their poor neighbors' allotments," allowing them to accumulate "vast tracts" which they operated "using slaves." Tiberius' solution to such problems was to return Rome to its peasant origins through a program of land redistribution. In advocating this program following his election as tribune in 133 BC, Tiberius is quoted as saying:

> The wild animals of our Italian countryside have their dens . . . Each of them a place of rest and refuge, but those who fight and die for Italy have nothing . . . Houseless and homeless they roam the land with their children and wives . . . These so-called masters of the world have not one clod of earth that they call their own.

The response of Rome's senatorial rich to Tiberius' program of land redistribution was public assassination. Tiberius and 300 of his supporters were beaten to death, their bodies thrown into the Tiber. When his brother, Gaius, attempted a similar reform program in 122–121 BC, he suffered a similar fate.

The fate of the Gracchi brothers reveals a fundamental fact about war and systems of representative democracy: the former has a tendency to destroy the latter. For, as Livy (c.AD14a/1960a: 54) noted in the early pages of his *History of Rome from its Foundations*, war has "no civilizing influence." A society that bases its relations with its neighbors on war and violence will, inevitably, become characterized by those same features in the conduct of its own internal affairs. In the case of Rome, the murder of the Gracchi heralded an era characterized by ever increasing levels of violence, resort to arms, and civil war; experiences which were to make the army the ultimate arbiter of political power in Rome. Of the Roman *plebeians*, Appian (c.AD120/1913: 27) observed that with the failure of the Gracchian reforms, they "lost everything," many reduced to perpetual reliance on the Roman "dole." In this reduced status, their only chance of betterment lay in full-time service in the legions which, under the so-called Marian reforms of the early first century BC, became the professional force of the modern popular imagination. When, between 91 BC and 88 BC, Rome's Italian allies rose in revolt due to the burdens imposed upon them, they were crushed by this newly professionalized force. Then, in 86 BC, the legions were for the first time unleashed against Rome itself as the architect of the army's professionalization, Gaius Marius, asserted his absolute authority. Of the resultant carnage, Plutarch (c.100a/1999: 164) records that, "Every street and every city was filled with people chasing and hunting down others . . . Headless bodies were tossed into the streets and trampled underfoot." When Marius' legions were evicted by those of Sulla another cycle of violence commenced. As Sulla addressed the Senate, his troops massacred 6000 opponents outside its doors. In the aftermath of this event, Plutarch (c.100a/1999: 208) cynically observes, "even the densest person in Rome came to understand that they had merely exchanged one monstrous tyranny for another."

Under Sulla's military successors – Pompey, Julius Caesar, Mark Anthony, Augustus – political violence and civil war became endemic. In the face of this new political reality, few were safe. Cicero, arguably the most articulate exponent of the Latin language that ever lived – and who declared in his study *On the Republic* that Roman success rested on "a moderation" in all things political (Cicero c.51 BC/2014: 76) – was butchered in 43 BC by supporters of Mark Anthony, his head and hands nailed to a platform in the Roman Forum. From this point onwards, it can be argued the Roman state existed to support the army, rather than the reverse applying. By the reign of Augustus, Hopkins (1978: 94, 29) estimates, almost half the imperial budget went on servicing the army. A further one-sixth of the budget went to the "dole" of grain (subsequently of bread) handed out to Rome's urban poor, a measure demanded both by their lack of access to gainful employment in a slave-dominated economy and their potentially explosive presence at the center of imperial power.

If it is Rome's slide into violence, civil war and, eventually, a permanent military dictatorship disguised behind the trappings of Empire, that has most fixated historians, this political transformation tends to detract attention from an equally significant economic and social transformation, a transformation which in the western half of the Empire saw peasant-based subsistence farming largely displaced by slave-operated estates, or *latifundia*. The economic dynamic that drove this transformation was vicious and self-reinforcing. Long-term military service undercut the viability of small-scale farms while, at the same time, bringing in armies of slaves to work the more commercially oriented *latifundia*. As Hopkins remarked of this dynamic, “Poor soldiers were engaged in capturing their own replacements.”

There is no doubt that in the short to medium term, the slave-worked *latifundia* improved rural productivity, allowing a fewer number of farm workers to produce increased output. A number of factors contributed to this. First, unlike the chronically under-employed peasant farmers, who were busy only when their wheat was planted and harvested, the growing of a range of commercial crops (vineyards, olives, fruit orchards, vegetable gardens) allowed slave workforces to be deployed almost continually. Second, the importation of grain from the provinces allowed the *latifundia* to focus on higher value produce: meat, dairy produce, wine, and olives. Finally, large estates allowed for the application of rational economic principles directed towards profit-maximization. In outlining these principles, Cato the Elder (c.160 BC/1913: 25, 37) advised that on a well-run property “the old and sick slaves,” “the old cattle” and “the worn out oxen” should be promptly sold off as they were “superfluous” to farm needs. Plutarch (c.AD100a/1999: 28–29), in his biography of Cato the Elder, also noted that, “A slave in Cato’s house had to be either busy or asleep,” and that any slip-shod work performances always resulted in a “beating” with “a leather strap.”

Economically logical at the level of the individual *latifundia*, the managerial principles that Cato expounded mitigated against innovation and sustained gains in productivity. In the first instance, as Marc Bloch (1975: 6) noted, “The slave is a bad worker.” Adam Smith, in *The Wealth of Nations* (1776: Book III, Chap. II, para. 10), made a similar point, declaring: “The experience of all ages and nations . . . demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any.” The only motivation a slave has for working is the avoidance of punishment. Left unsupervised, many will do as little as possible. Once bought, a slave becomes perishable capital. In the ancient world, many had an unfortunate habit of dying before their purchase price could be recouped. The extensive use of slave labor also discouraged capital investment in machinery and the like, Cato (c.160 BC/1913: 22) informing the readers of his *De Agricultura* that a well-run farm was one in which “you find few tools,” tools whose maintenance and replacement made a farm “expensive . . .to operate.” The displacement of peasant farmers also represented an attack on the manpower base of the legions who had advanced Rome’s power. According to Hopkin’s (1978: 68) estimates, the shift to slave-operated *latifundia* caused Italy’s free rural population to fall from 4.1 to 2.9 million between 225 BC and 25 BC. As the pool of Italian recruits shrank, the legions were increasingly recruited from the provinces and, eventually, from the barbarian tribes from beyond the frontier.

Even in the short-to-medium term the ownership of slave-operated *latifundia* was no guarantee of capital gain. In the first century AD, for example, Pliny the Younger (c.AD90/1963: 106) informed a friend that he was considering purchasing an estate for "three million sesterces," adding: "It used at one time to be [worth] five million, but . . . the general bad times have reduced the income from the land and brought down its value." Accordingly, Rome's senatorial elite sought to enrich themselves through a variety of often dubious speculative dealings. Of Cato the Elder, the most pious upholder of traditional Roman values, Plutarch (c.AD100a/1999: 29) observed that he "engaged in the most disreputable form of money-lending." He would also encourage his debtors to borrow more money so as to engage in risky shipping ventures, schemes in which Cato acted as a minor partner. If the venture succeeded, Cato gained all the profits, allowing his debtors to wipe away their accruals. If the venture failed, they were still in his debt. Cato also leant money to his more educated slaves so that "they could buy boys, train and educate them . . . and then sell them a year later" at a profit to all concerned (Plutarch c.AD100a/1999: 29). Of Marcus Crassus, a political rival of Julius Caesar and the wealthiest Roman of his era, Plutarch (c.AD100b/2005: 112) recorded that, "public calamities were his principal source of revenue." Commanding gangs of slave fire-fighters, architects, and builders, Crassus "would buy up houses that were either on fire or near the scene of the fire," the panicked previous owners invariably letting "them go for next to nothing." If the fire was put out, Crassus achieved an immediate financial windfall. If they burnt down, he gained from ownership of a cheaply built replacement. Like Cato the Elder, Crassus was also a large-scale money-lender, his loans incurring a "heavy interest" charge after an initial interest-free period (Plutarch, cAD100b/2005: 113). For all Roman slave-owners, the common practice of allowing slaves to earn their own income, often through speculative ventures, so as to buy their own freedom was also financially remunerative. Not only did this practice act as a social safety-valve by offering slaves a way out of their condition, it also allowed owners to purchase new, younger slaves with the proceeds.

If the Roman elite indulged in an array of speculative practices, it is nevertheless the case that slaves and land remained the foundations of wealth in the late republic, circumstances that were to remain largely unchanged in imperial Rome. In the absence of high-productivity investment opportunities in manufacturing, the great bulk of wealth obtained from trade, money-lending, and real-estate speculation was eventually ploughed back into *latifundia*. Thus, when Pliny the Younger (c.AD90/1963: 106), in writing to his friend, Calvisius Rufus, informed him that although he had "some investments," it was nevertheless the case that "nearly all my capital is in land," he was articulating circumstances which were probably typical for someone of his economic standing. Indeed, rather than it being the case that the involvement of the Roman rich in money-lending added to the formation of a substantive financial sector, it arguably detracted from it. Most of the money lent by people such as Cato the Elder and Crassus would have been loaned to other members of the Roman elite, a practice that curtailed the need for formalized banking and credit. Pliny the Younger (c.AD90/1963: 106), for example, in outlining the means through which he could acquire the "three million sesterces" (an enormous sum) to buy a new estate, recorded that, "it will not be difficult to borrow. I can always have money from my mother-in-law." The problem with wealth obtained from speculative investments, moreover, is that one person's gain is typically another's loss. Similarly, where money was loaned for consumption rather than productive investments – as was often the case with elite money-lending in the late republic – there is little addition to productive wealth. The conspicuous wealth and success of someone like Crassus, therefore, typically came at the expense of members of the elite who found themselves sliding into debt. As Sallust (c.40 BC/1963: 184) recorded, late republican Rome was full of young senatorial aristocrats "who had squandered their inheritances in gambling-dens, pot-houses, and brothels." Growing desperate, in 68 BC a group of such individuals coalesced around a young senator called Catiline, who planned a revolutionary overthrow of the government and an abolition of debts. In outlining the need for revolution to his co-conspirators, Catiline is quoted as saying, "For us there is destitution at home and debts everywhere; misery now, and a still worse future to look forward to" (Sallust c.40 BC/1963: 190). Denounced by Cicero, Catiline, and his small army of supporters were crushed, fighting to the death to avoid capture. After the battle, Sallust (c.40 BC/1963: 233) records how members of Rome's elite came out to the battle-field and, "turning over the rebels' corpses, found friends, relatives, or men who had been their guests or their hosts." For all concerned, rich and poor alike, the financial and political dealings of the late Roman republic were not for the faint hearted.

The Failure of Empire

For management historians, the story of imperial Rome is best seen as one in which engineering and logistical prowess disguised underlying economic failure. Throughout the first century AD, and much of the second century AD, a number of bequests from the late republic tended to emphasize the former strength while masking the later. At the frontier the borders of Empire were more or less set, the loss of Varro's three legions in the Teutoburg forest in AD9 effectively ruling out a conquest of Germany. Under the empire only two significant additions were made to the imperial land mass, Britain and Dacia (Romania), both of which were of dubious economic and military value. Within the frontiers, the legions guaranteed acceptance (or at least acquiesce) of the *Pax Romana*. Only the Jewish population of Israel proved perpetually troublesome, rising in revolt in AD66–73 and AD132–AD136. With the bloody suppression of the latter revolt, a Jewish presence in Judea was effectively destroyed, not being re-established until the twentieth century. If internal peace allowed for an expansion of trade, interchange and urbanization these benefits were also fostered by the large store of currency – and gold and silver bullion – which the republican conquests had brought back into circulation. Under the imperial Caesars, only one major Mediterranean treasury remained to be looted: the Jewish Temple at Jerusalem. This oversight was redressed in AD70, when it too was duly sacked. As with the previous looting of Carthage, Athens, Syracuse, Corinth, and Alexandria, the pillaging of Jerusalem had a swift and profound monetary effect, Howgego (1992: 5) estimating that in the years after AD70 so much gold hit the market "that gold coin passed for half its usual value in terms of silver coin in Syria." Monetary stability was also guaranteed by Spain's silver mines, many of which had been inherited from Carthage. Roman conquests had also temporarily solved any labor problems, most particularly in the West. As noted previously, slaves comprised a third of Italy's population on the accession of Augustus (27 BC). The slave populations of Spain and southern Gaul (France) were probably of a similar magnitude. In Italy, the wealth of empire excused property owners from the land taxes that applied elsewhere, an amnesty that extended until the third century AD. Availability of slaves and avoidance of taxes underpinned the commercial success of the *latifundia*, Hopkins (1978: 106) noting that, "The new slave farms produced a surplus of marketable crops on land which had previously supported only peasants near the level of subsistence." An outflow of displaced Italian peasants, when combined with the settlement of army veterans at the end of their term of service, contributed to the Latinization of the western provinces, most particularly Gaul. Lyon, the Roman's Gallic capital, may have boasted a population of 100,000 by AD100, a population density only made possible by the provision of four water aqueducts (Braudel 1986/1990: 85–87).

The fundamental flaw in the Roman economic model is that it was premised on continuing military expansion. Once this stopped an existential crisis was inevitable. A predominately rural society, economic problems first manifested themselves on the agricultural front. By the early second century AD the commercial trade in slaves at the frontier – and a last mass influx of prisoners-of-war with the conquest of Dacia (Romania) – could no longer meet internal labor demand. This forced the *latifundia* to rely on domestically-bred slaves, a commodity which, as Jones (1956: 193) observed, "must in the nature of things be rather expensive articles." Although there remained much regional variation in slave prices, it is nevertheless evident that slave labor became increasingly scarce and expensive (Jones 1956; Duncan-Jones 1978; Anderson 1974). In consequence it is probable that agricultural output was already shrinking before the devastating Antoine Plague of AD165–AD180, a plague (almost certainly small-pox) associated with a mortality rate approaching 25 percent. As with the subsequent Black Death of the fourteenth century, the horrific toll of the Antoine Plague suggests a population that was already malnourished.

Problems on the labor supply front corresponded to growing monetary difficulties. As Anderson (1974: 82) remarked, the most significant effect of the Roman propensity to invest any spare capital in slave-operated *latifundia* was that it "tended to suffocate private commercial initiative and entrepreneurial initiative." Proof of this is particularly evident in mining, where there is little evidence of an active, private-sector engaged in large-scale exploration and development. Consequently, when long-worked Spanish mines were abandoned for various reasons at the end of the second century AD, there was – in the absence of any new treasures to loot – a marked deficit of gold and silver. By AD250 the Roman denarius, once composed of almost pure silver, boasted a silver content of only 40 percent. Twenty years later the figure was four percent. This monetary crisis appears to have corresponded to a generalized collapse in mining output, analysis of Greenland's ice cores indicating a marked decrease in lead isotypes attributable to Roman atmospheric pollution from AD170 onwards (Wilson 2002).

Although historians will continue to debate the relationship between the steady collapse of the Roman economy and the invasions which temporarily drove in the frontiers in the early third century AD – i.e., were the invasions the cause of decline or merely a symptom of a degeneration already well underway? – what is clear is that by AD200 the Roman economy was increasingly incapable of supporting the army and state bureaucracy which held the keys to its future existence. Beset with unstable frontiers, a shrinking population and a diminished economic base, the imperial response was to increase the tax burden. Under the Emperor Diocletian, whose ascension to the imperial purple in AD286 stabilized the military situation, taxes were aligned to the land's estimated capacity. With the application of this formulae, the tax on property was by the fifth century some three times higher than what it had been under Augustus. Given the debasement of the currency, and the effective collapse of the monetary system, increased taxes were under Diocletian's *Cadastral Edict* of 301 largely set in kind (typically grain), changes that highlighted a generalized slide from a monetarized to a barter-based economy (Koerner 1941/1966: 26; Anderson 1974: 96). Under Diocletian's successor, the Emperor Constantine, another imperial edict forcibly tied landowners, and – more particularly – their tenants or *coloni* – to the land, an alteration that prefigured many of the features of what we think of as feudalism. Constantine's decree also made an array of urban crafts a hereditary obligation upon whose services the state had first call, a move that further stultified commerce and industry (Stevens 1941/1966: 115, 122).

As has proved the case in the modern world, the governmental attempt to salvage a grave financial crisis through increased taxation had negative long-term consequences. Across the empire what remained of a free peasantry did what they could to avoid the crippling new taxes. Some fled into the wilderness. Others, most particularly in Gaul, became rural bandits. More commonly, they willingly renounced their increasingly expensive freedom, placing both their families and their land under the control of powerful local landowners. In effect, the empire's peasantry consented to their own enserfment. For their part, the large landowners, finding such arrangements eminently satisfactory, also began transforming their slaves into tenants or sharecroppers, an arrangement that avoided the need for constant replenishment of their rural workforce through slave purchases. At the same time, imperial administrators were complicit in the widespread transfer of state-owned land into private hands, a measure designed to bring land that had lain fallow (due to a lack of workers) back into production. Even in Egypt, once an imperial preserve, virtually all agricultural land was in the hands of a few great landlords by the fifth century AD (Stevens 1941/1966: 121). Whereas in the late republic and early empire there were three principal forms of land ownership – small-scale peasant farms, slave-operated *latifundia,* and imperial property – by AD 400 there was effectively only one: the large landed estate worked by de facto serfs. In describing the experience of common humanity on these estates in the late fourth century, the Christian cleric, St John Chrysostom, recorded:

> Who could be more oppressive than landlords? If you look at the way in which they treat their miserable tenants, you will find them more savage than barbarians. They lay intolerable and continual imposts upon men who are weakened with hunger and toil . . . They use their bodies like asses and mules, or rather like stones, hardly letting them breathe (cited, Stevens 1941/1966: 123).

The Shattered Roman Legacy

In looking to the imperial Roman legacy, it is easy to perceive a continuum between the economy of the late Empire and that which characterized feudal Europe after the great Germanic *Volkerwanderung* that commenced at the end of AD406. There is certainly, in the case of Western Europe, much truth to such a conclusion. Yes, it is true, as Braudel (1986/1990: 98) observed of Roman Gaul, that it was "terribly wounded by the many barbarian raids, the looting, murder, rape, fire, manhunts, troop movements" that accompanied the final collapse of the western frontier. In Braudel's (1986/1990: 98) estimation, in northern and eastern France perhaps half the population perished as the result of these experiences, either directly or indirectly. However, in the highly Latinized areas of the western empire – Italy, Spain, southern France – the Germanic invaders had neither the capacity nor the interest in laying down a new social order. Rather, they were more intent in sharing the benefits of Rome's residual riches. In these areas, we *are* thus justified in seeing an essential continuum between the social and conditions of the late Empire and those which subsequently characterized Western feudalism. It is certainly wrong to perceive the old Latin elite as one rendered militarily and economically powerless by the Germanic invasions. Militarily, the vitality of the old elite, and their capacity to act in unison with the new Germanic populations, was indicated when in AD451 a combined Roman-Visigoth army inflicted a decisive defeat on the hordes of Attila the Hun at Châlons-sur-Marne in the French Champagne region.

If we can see a continuum between the social and economic patterns of the late empire and those of Western feudalism this is not the experience of North Africa, Egypt, the Balkans, and the Middle East. In these regions, profoundly different historical trajectories are evident, trajectories that were to shatter the unity of the Mediterranean world that had characterized Roman rule. In the Greek-speaking eastern sections of the empire, where slavery had never been as entrenched as it had been in the west, the eastern or Byzantine emperors made a determined effort to resurrect an independent and vibrant peasantry which could serve as the military backbone of revitalized armies. Under the reign of the Emperor Heraclius (AD610–641), these efforts involved the successful implantation of militarized peasant communities throughout the Byzantine Empire; communities granted land tenure, and excused from taxes, in exchange for military service. So buttressed, the eastern empire survived in its Balkan and Anatolian strongholds well into the second millennium AD, a Greek-speaking world characterized by a centralized bureaucratic state and an abiding commitment to its Orthodox Christian faith. By contrast, with the Arab conquests of the seventh century, the Middle East, Egypt, and North Africa were shorn from their previous interconnected relationship with Western Europe. For the next five centuries this Islamic world was, as Braudel (1987/1993: 73) observed, "the most brilliant civilization in the Old World." Although this new Islamic civilization acted as a trading partner to the Christian civilizations to its north and west, as well as an intermediary between Europe and the Far East, it also acted for almost a millennia as the West's greatest foe, engaged in an often deadly battle for dominance in the Mediterranean Basin.

The most significant, if most easily overlooked legacy, of Rome's failure is thus the shattering of a single Roman world and its replacement by three distinct, and often competing, cultural and economic entities: a politically fragmented and feudal Catholic Christendom in the West, a highly-centralized Byzantine civilization in eastern Europe and Anatolia, and an Islamic civilization in North Africa and the Middle East.

If a divided world is a legacy of Rome's failure, we are also stand in its debt in terms of a number of positive bequests. Arguably the most significant of these is urban life, the characteristic mode of existence in both the Greek and Roman worlds. Although cities and towns shrank in number and in population, they did not disappear. Nor did the interconnections between them perish, premises as they were on trade, the movement of people and the transmission of ideas. Indeed, in the politically fragmented conditions of Western Europe, urban centers were eventually to exert a cultural and economic autonomy far in excess of what had been possible under Rome. In all three of the civilizations that emerged from Rome's ruins, the towns and cities also found intellectual and economic sustenance from their association with the new religious faiths: Western Catholicism, Greek and Slavic Orthodoxy, and Islam. In each of these civilizations, the new religious institutions provided a permanent check on the authority of civil authority. In the West the defining exposition for this rival power is found in St Augustine's *The City of God,* a work in which St Augustine (c.430/1945: 1) argued that the "most glorious society" was the "city of God's faithful," a transnational society of believers. Admittedly, for many historians the transnational society to which St Augustine appealed is perceived as a negative rather than a positive development: a source of future bigotry, misogyny, and ill-spent wealth. Indeed, to Edward Gibbon (1776/1910: 430–431), in his *Decline and Fall of the Roman Empire*, Christianity was the principal cause of Rome's decline, a source of constant "error and corruption," and of intolerant bigotry, that destroyed "the religious harmony of the ancient world." In more recent times, the Marxist historian, Perry Anderson (1974: 91), has also attributed much of the blame for Rome's fall to Christianity, arguing that a "Christianization of the State" produced "a huge clerical bureaucracy" which the constrained resources of the imperial economy were incapable of supporting.

While it is difficult to accept Gibbons argument that Christianity was central to Rome's decline, given the deeply flawed structure of the Roman economy to which we have alluded, there is nevertheless a modicum of truth in the above allegations. One does not need to look far in the writings of the early church to find proof that the new faith saw women as occupying a subservient role, both inside and outside the family household. In St Paul's (c.AD61/1985: 1949) *Letter to the Colossians*, wives are instructed to "be subject to your husbands." Similarly, in this *First Letter to the*

Corinthians, Paul (c.AD57/1985: 1903) advised that "woman" was created "for the sake of man." This subservient role represented a retrograde step for women, given their legal rights under both the Roman republic and empire. As indicated in the letter of Pliny the Younger (c.AD90/1963: 106) which we cited earlier, within which Pliny indicated his intent to borrow three million sesterces from his mother-in-law, Roman women could hold substantial amounts of property in their own name. Roman women also had, as Mary Beard (2015: 307) accurately notes, "much greater independence" than was found in other ancient societies. Unlike women in classical Athens, who were expected to live their lives in household exclusion, Roman women dined with men, both before and after marriage. They also attended gladiatorial games and theatres, albeit in back row seats that were segregated from men. If the position of the relatively small cohort of urbanized, legally free women undoubtedly went backwards with Rome's decline, it is also true the various Christian denominations competed for increasingly scarce economic resources in the late empire. By the fifth century the western Catholic Church was, as Stevens (1941/1966: 122) recorded, "among the greatest" of "landlords," controlling vast swathes of countryside and armies of serfs; an outcome that was to become even more pronounced in Medieval Europe.

The fact that the Catholic Church became not only the holder of much property and wealth in the Late Empire, but also the principal institutionalized means through which the Roman legacy was transmitted to Medieval Europe (and thence to us), is indisputable. As such, the Church proved far less tolerant of intellectual diversity, rationality, and independent inquiry than either the Roman or Greek worlds of antiquity. By the fourteenth century, it had become arguably the greatest impediment to intellectual inquiry and the advance of knowledge. But it is also true that in Medieval Europe one was typically better off working land held by the Church, or one of its monastic orders, than if one was subject to a secular landlord. For, despite all their failings, the Church and its religious orders were, both in Eastern and Western Europe, virtually the sole representatives of literacy and learning in the post-Roman world. They acted as not only educators but also as the only form of social security, providing assistance to the widow, the sick, and the aged. It was to religious orders and Church scholars that we owe, moreover, the establishment of fundamentally new institutions for learning: universities. Female religious orders and monasteries also provided women in the post-Roman world with virtually their sole opportunity for an education, and a life outside the routines of marriage, birth, and child-raising. Although the Catholic Church was male-dominated, the scale and geographic reach of the female monastic movement should not be understated. As Graetzer and Rost (2015: 23) revealed in their extraordinary study of Catholic monasteries, we can identify 4606 monasteries that were established by the Catholic Church following the collapse of the western Empire. Of these, 1368 were female. Arguably, however, the most significant legacy which the Church transmitted to western Medieval Europe, albeit in a very different form, was the common sense of being part of a transnational community that bridged divisions of language and ethnicity. Under the Empire, one did not need to live in Rome or even Italy to be "Roman." Instead, being Roman implied sharing in a common culture based on laws, social norms, responsibilities, and allegiances. In the medieval world, this transnational identity – in part the bequest of Roman antiquity and in part a new creation – defined one as part of a new civilized identity: a "European." As Braudel (1987/1993: 315) observed of this new identity, in Medieval Europe a traveller, going about their business, "felt as much at home in Lübeck as in Paris, in London as in Bruges, in Cologne as in Burgos, Milan or Vince. Moral, religious and cultural values . . .were the same everywhere."

In considering Rome's legacy to the modern world, its intellectual bequests should not be understated. Our understandings of representative government, of organizational systems of checks and balances, and of the very concept of citizenship as a relationship based on legal rights and responsibilities – rather than, as the Greeks perceived it, as one rooted in geography and ethnicity – we owe to Rome. However, if we should not understate Rome's intellectual legacy, neither should we exaggerate its significance. In the final analysis, Rome was a failed civilization. Its failures were, overwhelmingly, managerial and economic. Its principal means of wealth creation was militarized theft, depriving other societies of not only their possessions but also their people. The Romans themselves well understood these facts, Tacitus (c.AD98/1942: 695) placing into the mouth of a British chieftain the following words: "Our goods and fortunes they [the Romans] collect for their tribute, our harvests for the granaries. Our very hands and bodies, under the lash and in the midst of insult, are worn down by the toil of clearing forests and morasses." A society based on such principles was never one that was going to be characterized by entrepreneurship, innovation, and the swift take-up of new technologies. In consequence, humanity's economic and social advance necessarily entailed Rome's ruination.

Conclusion

It is instructive that in his study of the *History of Civilizations* the great French social and economic historian, Fernand Braudel (1987/1993: 312), began his account of "the first European civilization" in the mid-fifth century AD, i.e., *after* the fall of the western Roman Empire. For Braudel (1987/1993: 313), "Feudalism built Europe," a society built around small-scale peasant farmers, working as share-croppers, tenants, or serfs. This was a world that was overwhelmingly rural in orientation, a society that literally dragged itself upwards from the ground, successfully redressing problems of agricultural productivity which confounded ancient Greece and Rome. For Braudel – concerned as he was with production, productivity, wealth creation, i.e., the issues which are central to management history – ancient Egypt, Greece, and Rome could be passed over with hardly a comment. For all the glory that was Greece, and the grandeur that was Rome, these were societies stuck in a doomed path. Seen from such perspective, the heavy wheeled-plough of Medieval Europe – which allowed Europe's peasantry to work the rich but heavy soils of the valley bottoms with comparative ease – was a greater achievement than the construction of the pyramids: the vainglorious project of the Egyptian pharaohs. There is some considerable merit in this approach. Few of the technological innovations upon which our modern industrial societies rest owe a debt to antiquity. Cast iron, mass-produced steel, magnetic compasses, windmills, artificial light and power, mechanical transport, paper, printing, vaccinations against disease, even the horse-stirrup, were unknown to the ancient world. Indeed, if Braudel can be faulted, it can be argued that his error rests not in his beginning the history of "European civilization" so late (i.e., in the AD450s), but in beginning it too early, i.e., with the history of European feudalism. For feudalism, one can argue, only proved marginally superior to antiquity in breaking out of the bounds imposed by a preindustrial existence. Certainly, modern management – understood, as Pollard (1965) perceived it, as a system of work that involves coordinating the employment of legally free individuals, whose efforts are directed towards the servicing of competitive markets – is no more a creation of feudalism than of antiquity. Rather, modern management is the child of the European Enlightenment, the product of rationality, science, and experimentation. Modern management, as most understand it, is also the product of free societies, of democracies, where the allocation of capital and labor cannot be achieved through mere decree. Its birthplace is thus found as much in the American and French Revolutions as in the Industrial Revolution of Great Britain. A seminal feature of these new forms of management – and of the new form of Western civilization which they helped create – is that, almost from the moment of it birth, it burst the bounds of its European cradle, becoming a truly global force. Far more than ancient Rome, it was based on national and regional specialization, and long-distance trade and commerce. No modern economy would survive for long without the benefits of long-distant trade in commodities, manufactured goods and services. Shanghai, Tokyo, Vancouver, and Sydney are in many ways the preeminent examples of this new world as much as London, Paris, and Amsterdam.

If one believes – as this author does – that the world of antiquity can tell us little about the efficacy of modern management practices, that all of its activities were doomed to end as dust, then this begs the obvious question: what, then, was this purpose of this endeavor, this account of management in antiquity? In part, the answer is a negative one, to emphasize the uniqueness of our modern world, a world whose prosperity does not primarily rest, as it did with ancient Rome, on slavery and the militarized theft of other societies' wealth. In itself, however, such a negative conclusion does a disservice to not only management history but also to scholarship and inquiry. As a management historian one is, arguably, more concerned with history, with the nature of the human condition, than with "management" narrowly defined. In looking to antiquity, and most particularly to ancient Greece and Rome, their great intellectual strength – a strength that every subsequent scholar has drawn on, to a greater or lesser degree – lay in their search for the true cause of things. As Plato (380 BC/2003: 277) observed in his *The Republic*, "Societies aren't made of sticks and stones." Instead, they are comprised of people "whose individual characters, by turning the scale one way or another, determine the direction of the whole." To Plato – as to Thucydides, Livy, Plutarch, Cicero, Seneca, and the other scholars of antiquity who inform the modern intellectual tradition as much as that of antiquity – the foundations of knowledge are found in the commonalities of human responses to similar problems. For Livy (c.AD14a/1960a; c.AD14b/1960b), justification for his *History of Rome from its Foundation* was found in understanding the ways in which a society was molded though constant warfare. For Polybius (c.150 BC/1979: 41), his study into *The Rise of the Roman Empire* was guided by a search for the best "system of government." For Seneca, as for Romans more generally, the key to success was found within the individual psyche, in personal resilience. As Seneca (c.AD70/1969: 51) put it, “The supreme idea does not call for any external aids, it is home-grown, wholly self-developed.” The enduring relevance of a study of antiquity, and most particularly the Greco-Roman world, is thus found in the questions which they asked, rather than necessarily the answers which they provided.

The relevance of classical studies is also found in the principles for historical inquiry which the ancients spelt out. If this author had to nominate the greatest historical work ever written, I would without hesitation nominate Thucydides' *History of the Peloponnesian War*. Like the greatest work of literature in the human experience, Homer's *The Iliad*, Thucydides' history is a human tragedy, a study of political overreach and vanity. As Thucydides (c.411 BC/1954: 48) lamented, “Never before had so many cities been captured and then devastated . . .; never had there been so many exiles; never such loss of live.” In investigating the circumstances and, more importantly, the causes of this tragedy, Thucydides (c.411 BC/1954: 48) – unlike the postmodernist tradition in modern business schools, which sees all accounts as “fictive” (Rowlinson et al. 2014; Munslow 2015) – believed there was a “truth . . .to discover.” The key to discovering this truth, Thucydides (c.411 BC/1954: 48) appreciated, is to look beyond the inevitable “partiality” of historical actors, a partiality that causes “different eye-witnesses to give different accounts of the same events.” That the discovery of truth is no easy task, involving as it does the cross-checking of evidence “with as much thoroughness as possible,” Thucydides (c.411 BC/1954: 48) well appreciated. But such difficulties, Thucydides (c.411 BC/1954: 48) believed, do not excuse inaccuracies in “factual reporting.” Nor do they justify the view that all evidence is merely subjective, the expression of some particular power interests. For the job of the scholar, today just as much as in Thucydides' time, is to look beyond power interests – of which there were aplenty of Thucydides' day – to the nature of the human condition. This is the ultimate, and enduring, message of antiquity.

Cross-References

- ▶ Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
- ▶ Management in Antiquity: Part 1 – The Binds of Geography
- ▶ What Is Management?

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From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750

9

Bradley Bowden

Contents

Abstract

In assessing managerial practices in the pre-modern world, one needs to maintain a sense of balance, to neither understate nor overstate the level of advancement. In looking at the achievements of Western and Southern Europe prior to 1750, for example, it is evident that many of the underpinnings of modern management were well established. Double-entry bookkeeping gave firms a better understanding of their costs, at least where they were desirous of such understandings. Mechanical clock allowed maritime officers the ability to calculate longitude, a feat that made oceanic commerce a feasible proposition. Mechanical printing opened the door to mass literacy. Despite such achievements, however, Western Europe had few of the attributes of "modern management" prior to 1750. There were no mass markets. In the early 1600s, the carrying capacity of Europe's entire maritime fleet (600,000–700,000 tons) was miniscule, equating to that of four modern "Capex" ships. In the absence of mass markets, there was little competition, allowing producers a capacity to charge high prices with little regard to costs. Capital intensity was low. Most "capital" equipment – ships, spinning wheels, weaving frames – was made of wood. Easily destroyed, such

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"investments" seldom endured. In the absence of a substantial stock of capital, the living standards of most were abysmal. Ultimately, only Britain proved capable of breaking the bonds of the pre-modern world. By exploiting its limitless reserves of coal, Britain turned a world of wood into a world of iron: a world of iron-ships, railways, mass markets, competition, and modern forms of management.

Keywords

Industrial Revolution · feudalism · energy · coal · European living standards · Asian living standards · real wages

The purpose of this chapter is to explore the extent to which modern management, with all its attendant material and social benefits, owes a debt to the feudal and early modern eras. Like many aspects of management history, the relationship between the experiences of these past epochs and the modern era (c.1750–) is complex. In the second chapter of this *Palgrave Handbook of Management History,* I (▶ Chap. 2, "What Is Management?") made the case that "modern management" is fundamentally different from that which exists in either pre-industrial or totalitarian societies in that it possesses five attributes which are either partially or totally absent in the latter: attention to costs, firm specialization, the gearing of production to mass markets, legal protection of property and individual liberty, and the free movement of capital and, more particularly, labor. In writing this chapter, I do not withdraw from this stance. It is nevertheless the case that modern management was, in the first instance, a product of the societies of Western Europe and North America. It is difficult to avoid the conclusion, therefore, that these societies possessed attributes that fostered the emergence of modern management. It is certainly the case that by the Middle Ages a form of commercial capitalism was enjoying a robust existence. For, by the thirteenth century, as North and Thomas (1973: 29) correctly observed, the Mediterranean had become "a gigantic highway for Italian merchant vessels." By the seventeenth century, the broad stretches of the Atlantic Ocean were also a Western highway; a highway plied by the fleets of Portugal, Spain, France, the Netherlands, and Britain. This flourishing of trade and commerce revolutionized not only the social structure of Europe but also its intellectual orientation. As the French philosopher, Voltaire (1734/2002: 36), observed, "A trading society . . . grasps at every society."

If the transformative effects of commerce and trade in the medieval and early modern eras are indubitable, it is nevertheless important to remind ourselves of the abject poverty in which most Europeans lived prior to the Industrial Revolution. As Cipolla (1981: 31–32) recorded, "Peasants were always clothed in rags . . .During epidemics of plague . . . people waited for others to die to take their clothes." It is certainly the case that, when we shift our attention from the world of commerce to the lived work experiences of ordinary citizens, it is evident that even the most successful European societies were incapable of delivering sustained improvements in living standards. This failure is evidenced in the so-called Phelps Brown-Hopkins index, which traced the real wage of a skilled building worker from southern England between 1264 and 1954, measured against a basket of consumables. As is evident in Fig. 1 – which summarizes the results of this index for the period 1264 to 1880 (1447 representing 100 in the index) – it is evident that the only sustained improvement in living standards prior to the Industrial Revolution occurred between 1350 and 1500. Significantly, this improvement corresponded not to any gain in efficiency but rather to a demographic catastrophe induced by bubonic plague: the Black Death. For those who "benefited" from this catastrophe there was probably little in the way of rejoicing as the traumatized survivors rebuilt their lives among half-abandoned fields. Moreover, as the population regained its former strength an increased competition for scant resources drove living standards to unprecedented depths. According to Phelps Brown and Hopkins (1956: 306), the real wage of the skilled English building worker reached an all-time low in 1597, the year in which Shakespeare's *Midsummer Night's Dream* was first performed. Not until 1880 did the real wage of the skilled English building worker return to "the level enjoyed at the accession of Henry VIII" (i.e., 1510).

The inability of early modern societies to go beyond a seemingly fixed ceiling is also indicated in Fig. 2, which traces the per capita output of Holland, central and northern Italy, Portugal, and Spain between 1500 and 1750, measured in United States "international dollars," based on 1990 dollar values (i.e., so-called Geary-Khamis dollar). As is evident, these societies – each of which for a period stood at the cutting edge of European advancement – were, on a per capita basis, generally less prosperous in 1750 than previously (Palma and Reis 2019).

The fact that even Holland, the Netherland's most prosperous province, failed to break through a seemingly fixed economic ceiling leads us to the most fundamental question of this whole series, namely: Why was it that England, alone of all the

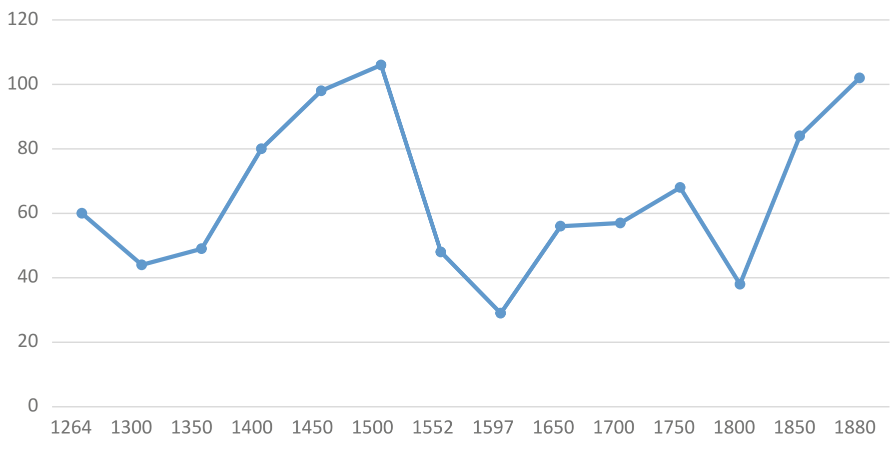

Fig. 1 Real wage of skilled building worker in southern England, 1264–1880 (1447 = 100). (Source: Phelps Brown and Hopkins: "Seven centuries of . . . builders' wage rates", Appendix B)

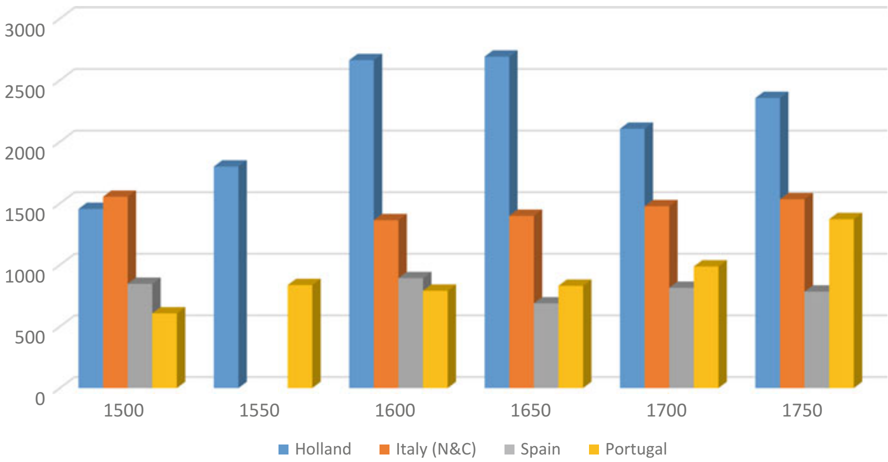

Fig. 2 Output per capita in US dollars (1990 value), 1500–1750 – Holland, northern and central Italy*, Portugal, and Spain*. (Source: Palma and Reis, "From Convergence to Divergence", Table 4. *Note: no figures for northern and central Italy or for Spain for 1550)

world's societies, led the way in forging a new chapter in human existence through the Industrial Revolution?

In searching for an answer to the above question – and explanation as to why it was that the economic progress of other European cities plateaued out after hitting an invisible ceiling – we are brought to a vital but easily overlooked fact: pre-industrial societies are almost always built on wood; wood used for housing, shipbuilding, smelting of ores, and – above all – domestic cooking and heating. In *every* advanced society, not only those of European extraction, there came a point in time where the supply of wood wilted in the face of insatiable demand. In China, it is estimated that in 1100 the per capita output of iron easily exceeded that subsequently obtained by Europe in 1700. But, by this stage, the Chinese southern rice region – the driver of increases in both population and iron output – had become "a great clear-felled zone," virtually devoid of trees (Jones 1987: 4). As Europe's material wealth advanced a similar assault on the native forests occurred, causing a marked spike in timber prices. In Genoa the price of lumber used for shipbuilding rose 12-fold between 1463–1468 and 1577–1578. An even graver crisis loomed in terms of charcoal, the wood-derived product which acted as a key ingredient in iron making. In England, the price of charcoal rose tenfold between the 1530s and the 1690s, eventually becoming all but unattainable (Cipolla 1981: 288). By the sixteenth century, the growing scarcity of charcoal – and the lack of an obvious substitute – confronted Europe with the same crisis that had previously halted Chinese industrial development.

The reason that England alone overcame the heating and smelting bottleneck that had confounded Chinese society is found in the fact that England alone had ready access to cheap supplies of easily transported coal. As early as the mid-1500s, the mines that abutted the Tyne and Wear rivers of Durham were producing 781,000 tons per year: a stupendous total by early modern standards. By the 1680s, annual coal production exceeded 3.1 million tons (Neff 1932a/1966: 19). In reflecting on this unprecedented production, the English historian, John Nuf 1932b/1966: 322), noted that by 1700, "The entire production of the rest of the world did not perhaps amount to much more than a sixth of that of Great Britain." Whereas the growth of other European cities was constrained by a shortage of wood for cooking and heating, English cities grew exponentially. The vast fleet of colliers that transported England's "sea coals" also provided the basis for English maritime prowess. As one seventeenth century contemporary remarked, the coal trade was the principal "nursery and school of [English] seamen" (cited, Cipolla 1981: 290). The English coal trade also acted as a "fertile ground" for new "capitalist forms of industrial organization" (Neff 1932b/1966: 322). As England's mines became progressively deeper, eventually operating beneath the water table, ever more radical innovations were demanded. Accordingly, in 1712 the world's first functional steam engine – the so-called Newcomen engine – began pumping water from a pit in the English Midlands. By 1750, this innovation was commonplace across the entire industry.

Inevitably, the European revolution in technology and managerial organization involved a transformation in the realm of ideas as much as in any other fields. In looking to the factors that both advanced and impeded technological and managerial progress in the medieval and early modern eras this *Palgrave Handbook of Management History* must, therefore, look not only to matters relating to production and exchange. We also need to examine the ferment of ideas that shaped improvement and regression. In this chapter, however, our attention will be largely restricted to the material elements of advance and regression. Discussion of the ideas that shaped the feudal and early modern worlds, be they religious or profane, is the focus of the subsequent chapter, *From Feudalism to Modernity, Part II: The Revolution of Ideas, AD 450 to 1750*.

Feudalism: An Historic Peculiarity

In looking for the roots of modern management, and hence the modern world, it is tempting to pass over the period between the fifth and fifteenth centuries as a long Dark Age, a millennium of stagnation and superstition. Yet, just as the modern era cannot be understood apart from the preceding early modern era (c.1500–1750), so the early modern period cannot be comprehended apart from the feudal epoch that preceded it. The moment we begin to examine "feudalism" as it existed in Western Europe between the tenth and fifteenth centuries, however, we are confronted with serious problems. For, as Bloch (1940/1962: xviii) observed in his classic study, *Feudal Society*, the use of the term feudalism "to designate a state of society" only gained traction during the eighteenth century. In its original form, the French term *féodal* simply referred to "that which concerns the fief," or *feodum*. It is also the case, as the British Marxist, Perry Anderson (1974: 154) noted, that feudalism "never existed in a 'pure state' anywhere in Europe." Indeed, many European societies never experienced the classic Western model of feudalism, in which power was distributed between princely states, feudal lords, commercial towns, and the Catholic Church. Even during the High Middle Ages (1100–1340), when the authority of the papacy was at its peak, there were, for example, many Europeans who worshipped in a mosque rather than a church. Until the late fifteenth century, much of Spain owed allegiance to Muslim emirs. Communities in Albania, Bosnia, and Kosovo permanently switched allegiance to Allah. Where Christian belief was maintained in Eastern Europe, the faithful typically looked to the Orthodox Patriarchs and Metropolitans of Constantinople or Moscow for direction instead of Rome. The cultural roots of these Orthodox societies owed much to the Greek-speaking Byzantine Empire; traditions that placed emphasis on communal solidarity and allegiance to the state to which one belonged. In Russia, this heritage produced, as Delanty (2019: 81) notes, "a distinct European inheritance" that caused it to experience "a different historical path to modernity from that in the West."

Given such complexities, how can one understand the term "feudalism," in ways that contribute to our understanding of management history?

Like many terms used to describe an historical experience, feudalism in the classic sense (i.e., as it existed in Western Europe c.1100) is perhaps best understood by delineating what it was not. First and foremost, we need to comprehend the fact that feudalism, as it existed in the High Middle Ages, was *not* based on the private landed wealth. On the contrary, as North and Thomas (1973: 63) accurately noted, "Feudal law did not recognize the concept of land ownership." For private property implies rights not only of ownership but also an ability to buy and sell at one's discretions. And the capacity to buy and sell implies the existence of a monetarized economy, something which was the very antithesis of feudal society. For feudalism involves, in essence, the replacement of *property* relationships – which can be expressed in monetary terms – with *personal* relationships. As such it bears passing resemblance to tribal kinship relationships. It differs from the latter, however, in that feudal relationships are based not on kinship but rather on the social obligations implied in the term *vassalage*. Under a vassalage relationship, occupancy of a given patch of land is not an inalienable right. Instead, it is something that has to be continually earned through service.

Rather than representing a "natural" form of social organization for an agricultural society, European feudalism is a historical peculiarity. It differs markedly from the societies of antiquity, which were characterized by a free peasantry (the classic Greek city-state, early republican Rome), slavery (Imperial Rome), or priestly bureaucracies (Mesopotamia, Pharaonic Egypt). What then explains the emergence of this historic peculiarity and its long hold on the European landscape and imagination? A good place to start is the system of serfdom as it existed in the late Roman Empire. In describing this system in ▶ Chap. 8, "Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds," this author recorded that,

> Whereas in the late republic and early empire there were three principal forms of land ownership – small-scale peasant farms, slave-operated latifundia and imperial property – by AD 400 there was effectively only one: the large landed estate worked by de facto serfs.

What needs to be emphasized in relationship to the above circumstances is that what we are describing is *not* feudalism, even if it represents a step in that direction. For what we are dealing with in the late Roman Empire still represents a system of private ownership, governed by Roman law. The same finding applies, albeit with less force, to the situation that prevailed in the Merovingian kingdom (c.AD 450–751) that came to dominate Western Europe after the fall of the Western Roman Empire. The case for an essential continuum between the late Roman and Merovingian periods was made with particular vigor by the noted Belgium historian, Henri Pirenne. As Pirenne (1939: 116, 76) expressed it:

> . . .the economic life of the Roman Empire was continued . . . The great Gallo-Roman or Hispano-Roman or Italo-Roman estates survived . . .The commercial activities of the Mediterranean continued with singular persistence.

In Pirenne's opinion it was not the Germanic invasions of the fifth century that destroyed the commercial and economic fabric of Roman life but rather the Muslim conquests of the seventh century. By closing the Mediterranean to European shipping, Pirenne argued, Islam destroyed the unity and cohesion of the Mediterranean world. In consequence, Pirenne (1939: 197) argued, "The urban life which had been maintained by the influence of commerce was obliterated . . .It was the beginning of the Middle Ages" (Pirenne 1925/1952: 47).

Few, if any, historians would now support Pirenne's thesis that the fatal blow to the old Roman economy was delivered by the Islamic closure of the Mediterranean (see, for example, Davis 1970; North and Thomas 1973; Braudel 1986/1990). For at no point did the Mediterranean become an Islamic lake. Instead, Muslim fleets continued to face opposition from the Byzantine navy. Due to the latter's efforts, the Adriatic remained a Christian preserve, allowing trade between the emergent city-state of Venice, Constantinople, and the East. It would thus appear that Pirenne confused cause and effect. In other words, it was not the curtailment of Mediterranean commerce that caused the decline in monetary exchange, urbanization and a market economy. Rather, it was a collapsing economy that lay behind a collapse in Mediterranean commerce even before Islam arrived on the scene.

Although there is dispute among historians as to how Western Europe came to be feudal, it is nevertheless evident that, by the close of the Carolingian era (c.780–900), Europe no longer bore much resemblance to the world of Roman antiquity. Everywhere, trade, commerce, and industry were a shadow of their former selves. Even in formerly prosperous areas, as Bloch (1940/1962: 60) noted in his classic study, "The most important towns had no more than a few thousand inhabitants," outside of which "spread forests, scrub and dunes – immense wildernesses." Despite the valiant efforts of the first Carolingian monarch, the Emperor Charlemagne (King of the Franks, 768–814) to establish a new silver currency, the denarii (dollar), monetarized exchanges became ever rarer. It was in this context of demographic and monetary collapse that feudalism took shape. As we have noted previously, the essence of feudalism involved the substitution of monetary and property relationships with personal relationships. Unable to pay the armored knights who had become the decisive factor in battlefield success, the Carolingian monarchs opted to give their military retainers the usage of a parcel of the royal estate in exchange for their services. The more powerful feudal lords, in turn, offered a share of this gifted estate to lesser knights in return for pledges of allegiance. Serfs, in providing labor and a share of their crop to their feudal lords, gained a modicum of military protection.

If we look to the core social and economic relationships that underpinned feudalism in the rural sector – where 90% of the population lived – it is evident that we are looking at a society of a primitive nature. Even in the best of times, people lived under threat of starvation. That this problem was well understood by the population of the time can be garnered from the fact that much of the population never married and reared families. If they did marry, they did so at a comparatively advanced age. In the English village of Croydon, for example, the average age at which women married in sixteenth and early seventeenth century was 27 (Cipolla 1981: 154). Among both men and women, a not insignificant share of the population escaped the burdens of family through life in a monastery. As Burckhardt (1867/1954: 349) observed, "Everybody has some cowled or frocked relative." For rich and poor alike, death was everywhere. Writing in 1762, at the dawn of the modern era, the French philosopher, Jean-Jacques Rousseau (1762/1979: 47) recorded, "Almost all of the first age is sickness and danger. Half the children perish before the first year."

Given the generalized poverty of Western feudalism, it is easy to perceive not only the society but its historical legacy in negative tones. This is the path taken by the Foucauldian-inclined Edward Said in his influential study, *Orientalism.* For Said (1978/2003: 71), the early feudal era was not only a time when "Europe was shut in on itself." It also marked the point when Europe first identified itself in opposition to the hostile (Muslim) "Other." By constantly defining itself against the "Other," Said (1978/2003: 12) argued, Europe set itself on a path of racial hostility to other cultures. Superficially, support for Said's view is easy to garner. For, at the intellectual core of most feudal societies was a deeply held religious faith, a sense of being part of the community of Christendom. As Greengrass (2014: xxvii) accurately observes: "Baptism was a universal rite of initiation." Yet, despite a long series of wars, most particularly the Crusades (1095–1291), the interactions between Christendom and the Muslim world were profound in their consequences. As we have previously noted, many European communities – most particularly in the Balkans – were themselves Muslim. Moreover, as Carlo Cipolla (1981: 180) accurately recorded, "Europe always proved extraordinarily receptive" to technologies and ideas derived from the East. Prominent among the technological innovations feudal Europe obtained from the East were the horse stirrup, the compass, paper, and gunpowder. Intellectually, the West borrowed "Arabic" numerals and new understandings in the fields of geometry, mathematic, and medicine.

The contrast between the inherent technological dynamism that characterized Western feudalism can be ascertained by the different ways in which Chinese, European, and Middle Eastern societies approached mechanical printing. In China – the original home of both paper production and printing – the technique never became a platform for mass literacy, as Chinese printers remained wedded to hand-cut wooden presses. By contrast, in Europe by 1450 mechanical presses which boasted metal type were pulling 300 pages a day, an output that brought the printed page before a mass audience for the first time in human history (Cipolla 1981). Yet, despite constant trade between Europe and the East, the printing press was long regarded by the Muslim world, as de Bellaigue (2018: xv) notes in his study of *The Islamic Enlightenment*, "as an unwelcome and alien innovation." In the Ottoman Empire, long a major European power, the moveable-type printing press was only introduced in the 1840s (de Bellaigue, 2018: xxiv). The consequence of these divergent trends was profound. In the most significant Islamic societies of the early modern era – Turkey, Egypt, and Iran – only 3% were literate in 1800. By contrast, in England at this time 68% of males and 43% of females were literate (de Ballaigue 2018: xv). Even in Poland, an economic laggard in Europe, 21% of the adult population could read in 1800 (Allen 2003: 415).

The dynamic behind the technological prowess of Western feudalism is perhaps best summed up by Eric Jones (1987: 45) when he described feudal Europe as "a mutant civilization," a society that represented a receptive hybrid mix of cultures, ever open to practical innovations. Certainly, it is wrong to see feudalism simply from the perspective of the *fief* or manor. For Western feudalism was far more than a relationship between lord and serf. Instead it was characterized by division, fragmentation, and a diffusion of power. At every level of society the church acted not only as an alternative source of power to princely authority, it also served as a source of technical and organizational innovation. Writing of the Benedictine monasteries, Kieser (1987: 113) noted that they "attained more than their secular counterparts . . . not only in management, production, and architectural methods, but also in agricultural skills." In a similar vein, Peter Wirtz (2017: 260) describes the ways in which the church "had a significant impact on the development of state structures in Europe, training bureaucrats and providing a model of dedicated service." The most radical element of Western feudalism, however, was its class of merchants, financiers, peddlers, and traders; a class of people who, in the otherwise closed world of the medieval fief, often seemed to appear from nowhere with goods and tales from distant lands. Whether this class of people only arrived on the scene in the tenth century (the Pirenne thesis) or was always present within feudalism is a matter of debate. What is nevertheless clear is that merchants and traders were a revolutionary force in Western feudalism precisely because they were perpetual outsiders. As Pirenne (1925/1952: 126–127) observed of merchants, traders, and wandering craft workers in his study, *Medieval Cities: Their Origins and the Revival of Trade*:

> They did not demand freedom; it was conceded to them because no one could prove that they did not already enjoy it . . . In short, just as the agrarian civilization had made of the peasant a man whose normal state was servitude, trade made of the merchant a man whose normal condition was liberty.

If Western feudalism boasted evident strengths, we nevertheless need to be mindful of two things. First, its material successes were impressive only by comparison with what had come before. As we shall discuss in the ensuing sections, Western feudalism remained at heart an agricultural, pre-industrial society. To the extent that people had a choice of work in such a world it typically involved, as Braudel (1986/1990: 676) noted, a choice "between equally backbreaking kinds of work." The second thing we need to remind ourselves is that feudalism – at least in its Western European form – cannot be simply acquainted with serfdom. Rather, to restate our core argument in this regard, it represents a historical peculiarity; a society characterized by a high degree of mechanical innovation, and a diffusion of political and economic power. As such, Western feudalism was a fundamentally different society to that which existed in Eastern Europe – most particularly Russia – from the fifteenth century onward. For what we witness Eastern Europe is a process by which the aristocracy and the State enserfed a previously free peasantry so as to obtain the many accoutrements of Western society – clothes, furniture, wine, ships, and weapons – as well as the resources required to defend themselves from Western armies (i.e., state bureaucracies, professional armies, etc.). In doing so they not only ground their serfs into a state of abject poverty. They also cut the mass of their society off from interaction with a modernizing world, to their enduring detriment.

Medieval and Early Modern Europe: A Comparative Perspective

No society, can advance unless it feeds itself. And it is difficult for a society to feed itself unless it can constantly innovate. If it is insufficiently innovative, a society is almost inevitably exposed to a series of Malthusian cycles, in which population expansion is halted and reversed as the society hits a technologically and organizationally imposed ceiling. That this is exactly what happened to Europe in the feudal and early modern eras is suggested by Figs. 1 and 2. In the case of skilled building workers in southern England (Fig. 1), it is evident that a post-plague population revival between 1400 and 1500 induced a catastrophic fall in real wages in the sixteenth century. If we take a longer view and look at overall European population growth (including Russia) from the early feudal era (c.1000) to the mid-nineteenth century, as we do in Fig. 3, a more complex picture emerges. What is evident is that an initial period of demographic expansion, which saw Europe's population grow from around 32 million to 80 million in 1340 (a 150% gain), was sent into reverse by the famine and plagues of the 1340s, with a second period of population growth between 1350 and 1600 losing steam in the seventeenth century. Across the 410-year period between 1340 and 1700 – a period which saw the Renaissance, printing, increasing levels of urbanization, the discovery of the Americas – Europe's population grew by a mere 37.5% (from 80 million to 110 million). By contrast, in the 150-year period between 1700 and 1850, Europe's population soared by 142% as it numbers expanded from 110 million to 266 million (Cipolla 1981: 150; Braudel 1967/1974: 11). Looking across this 950-year span of European history, we can thus discern two periods of strong population growth (1000–1340 and 1700–1850),

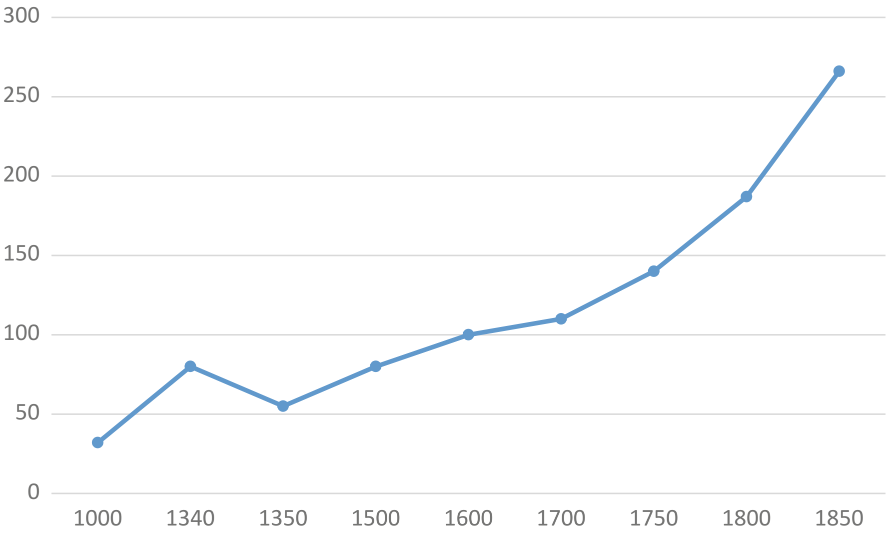

Fig. 3 Approximate Europe population, 1000–1850*. (Source: Cipolla, *Before the Industrial Revolution*, p. 150; Braudel, *Capitalism and Material Life,* p.11. *Note: includes Russia)

broken by a long period (1350–1700) of regression, stagnation, and modest growth. Such outcomes also suggest that the most significant advances were associated with (a) feudalism and (b) the process of modernization that ended in the Industrial Revolution.

In considering the feudal and early modern achievement, we need to also consider how well Europe performed in the basic task of feeding its population and in providing for their basic consumer needs, when compared to other advanced societies such as India and China. Such a comparison has particular need given the many claims for European exceptionalism (see, e.g., Jones 1987; Huntington 1996/2003; Ferguson 2008, 2011) and the recent literature on the so-called Great Divergence, which has seen Pomeranz (2000), Parthasarathi (1998), and others challenge long-held assumptions that European living standards were far superior to those of Asian societies even before the Industrial Revolution (see Jones 2017, for a summary of the "Great Divergence" debate).

Before considering the statistics that have emerged from the Great Divergence debate, it is necessary to discuss problems of measurement. In comparing the per capita performance of different societies, there are two principal measures: real wages and per capita gross domestic product (GDP). The former is intrinsically easier to calculate than the latter. All one has to do is put together a basic of consumables (typically food, clothing, fuel, and lighting) and then, by comparing nominal wages and prices, estimate how much of this basket a worker could purchase at different points in time. In Europe, estimations of real wages have been facilitated by the efforts of the International Scientific Committee on Price History. Established in 1929, and funded by the Rockefeller Foundation, this committee created an extensive European database, recording the real wage of building workers, both skilled and unskilled, between the thirteenth and twentieth centuries (see Cole and Crandall 1964, for a history of the Committee). Hence, when historians cite European statistics on real wages (i.e., the Phelps Brown-Hopkins index), they invariably draw on this committee's work. By comparison with estimations of real wages, calculation of historic GDP per capita is a more difficult proposition. Not only does it require an estimation of population, it also requires a value being placed on all the goods and services produced during a year, calculations which can never be more than "guesstimates."

In Fig. 4, drawing on Broadberry and Gupta (2006), we look at the "grain wage" – i.e., how many kilograms of wheat could a worker buy with their nominal wage – obtained by unskilled building laborers/laborers in three different regions between the first half of the sixteenth century and the first half of the nineteenth century: southern England, Florence/Milan, and India. Three things are immediately obvious. First, only southern England enjoyed a continuous advance in real wages between 1600–1649 and 1800–1849, suggesting that only England was capable of generating sufficient innovation to generate real wage increases for its workforce during this period. Second, it is clear that both Florence/Milan and India suffered an almost identical decline after 1650–1699. In each case, real wages in 1800–1849 were less than a third of those obtained in southern England. Finally, even in southern England – the most successful society – real wages were less at the end of our period than

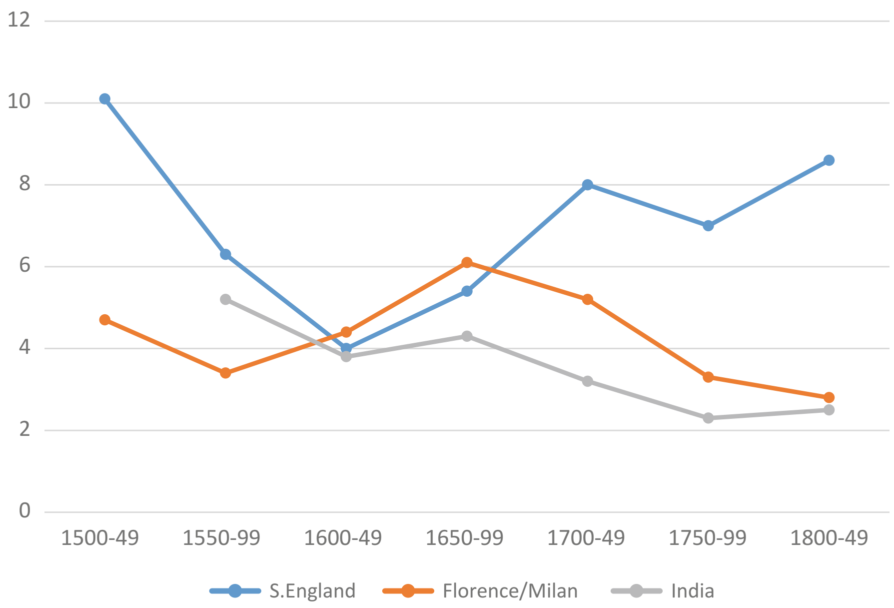

Fig. 4 Real wages (in KG of wheat) of unskilled building laborers, 1500–1549 to 1800–1849: southern England, Florence/Milan, and India. (Source: Broadberry and Bishnupriya, *Early Great Modern Divergence* Tables 2, 6. *Note: no Indian figures for 1500–49)

what they were at the beginning. It is difficult to escape the conclusion, therefore, that in all three regions were looking at comparatively backward systems of production. However, whereas England was at least going forwards economically, the other two regions were going backwards.

The findings by Broadberry and Gupta (2006), which point to a late divergence of living standards between even Europe's most advanced economies and those of Asia, are confirmed in a range of studies (see, e.g., van Zanden 2002; Allen 2003; Li and van Zanden 2012). For example, Allen et al. (2011: 30–31), in comparing eighteenth-century living standards in a range of cities in Europe, China, Japan, and India, found "that unskilled labourers in major cities of China and Japan – poor as they were – had roughly the same standard of living as their counterparts in central and southern Europe for the greater part of the eighteenth century." It "was only England and the Low Countries," Allen et al. (2011: 31) continue, that we witness European societies "that pulled ahead of the rest." That stagnation of living standards was the European norm is also indicated in Palma and Reis's (2019: 478) analysis of per capita income in Portugal between 1527 and 1850, where they observe that "Over the long run, there was no per capita growth: by 1850 per capita incomes were no different from what they had been in the early 1530s."

Given the fact that most European societies proved *incapable* of creating the conditions for transformative managerial endeavor, with even the per capita output of Holland going into reverse after 1650 (see Fig. 2), we keep coming back to the same question: what was it that allowed Britain alone to succeed where others failed? Significantly, the "Great Divergence" literature allows us to dismiss a number of (well-worn) arguments relating to culture and market institutions. The first of these arguments, i.e., managerial success is derived from culture, is most famously associated with Max Weber (1922/1927: 367), who identified the advance of capitalism and its systems of managerial organization with the emergence of a "Protestant" and, more particularly, Calvinist "ethic" (also see Weber 1905/2003). The problems with this argument, as exposed by recent research, are manifest. In the eighteenth century, real wages in Protestant Germany were little removed from those of Italy, India, and China (Allen et al. 2011). As late as 1800, the typical Berlin stonemason – with a wife and three children – spent 72.7% of his income on food. Almost half of his total income (44.2%) was spent on bread (Braudel 1967/1974: 90). In Holland, per capita growth was going backward by 1700. The North and Thomas (1970, 1973) argument that market institutions, which were by the 1600 highly developed in societies like the Netherlands, held the keys to success runs into similar problems.

Rather than being sufficient conditions for transformative managerial success, culture and market institutions – while indubitably important – appear merely necessary conditions. If we are to look for the decisive conditions for success, we suggest, we need to shift our vision from culture and institutions to the lived experiences of workers and managers in the fields of agriculture, manufacture, finance, and trade. In doing so, we can take away two key points from this section: that the key advances appear to have occurred in two widely separated periods, i.e., 1000 to 1340 and 1700 onward (see Fig. 3), and that from 1700 the economic trajectory of England had become markedly different to that experienced in other European and Asian societies.

Medieval and Early Modern Life: The World of Production

If the most elementary requirement for a society's economic success is a capacity to feed one's self, and if it also the case that the first period of dramatic European population growth was associated with the feudal era (i.e., 1000 to 1340), this suggests that the place to start our search for the material conditions for European success is with an unlikely candidate: the medieval serf. And the achievements of the "typical" medieval serf can only be understood by comparing their practices with those of the small peasant farmer of antiquity, best exemplified (and recorded) in the lived experiences of republican Rome's soldier-farmer.

In Roman antiquity the iconic peasant experience is found in Livy's (c.AD 14/1960: 213) description of Cincinnatus, who was called from his "little three acre farm" to save Rome from yet another military crisis. Like his neighbors, Cincinnatus's farm was a self-contained unit that would have boasted, in addition to his three acres of continuous cropland, a farmhouse with a small garden for growing turnips, a few fruit trees, and, most probably, a couple of olive trees and a row or two of vines (Stevens 1941/1966: 94). To plow his fields, Cincinnatus would have used a variety of the swing plow. Suspended from a single wooden shaft, drawn by oxen, this plow amounted to little more than a curved, sharpened stick. Whether or (more likely) not this plow boasted a metal blade, it could do little more than scratch a shallow rut in thin soil (Fussell 1966: 177). Rich valley bottoms, such as those which prevailed in much of northern Europe, were beyond its capacity. A shortage of both iron and livestock in Roman antiquity also left farm laborers, even on the large *latifundia*, with little in the way of tools or animal power. In Rome, as elsewhere in antiquity, the tendency of wheat to rapidly strip nutriments from the soil also meant that half the farmland had to left fallow every season under the so-called two-field system.

The most obvious difference between the agricultural practices of Roman antiquity and those which prevailed in the feudal era involved, at least in northern Europe, the displacement of the "two-field" agriculture by the "three-field system." The advances evident in the "three-field system" are manifest. Under the three-field system, only a third of the farmland was left fallow, increasing the land under cultivation by 50%. Of the land farmed each season, half was sown with "corn" (typically a mix of wheat and rye). Planted in autumn (i.e., September–October), the crop was harvested in ensuing summer (i.e., July–August). In early spring (i.e., March), a second field was sown with *marsage* (i.e., peas, lentils, or clover), crops which restored soil nitrogen levels while giving the peasant and his beasts an additional source of food. Spring also witnessed the first plowings of the fallow as farmers sought to plow under weeds which, if left untended, would overgrow the sown crop (Braudel 1986/1990: 339–342). One of the benefits of secondary crops that acted as artificial pasture (i.e., clover, sainfoin, etc.) was that they allowed for an increase in livestock, most particularly horses and dairy cows. Although medieval cows were far smaller than modern varieties, typically producing only 500 liters of milk per year (Cipolla 1981: 126) – compared to the 10,000 liters expressed by modern cows – they nevertheless provided another source of calories and protein. Another obvious difference between the practices of antiquity and those of feudal Europe is found in the displacement of the swing plow by the heavy wheeled plow. Although wheeled plows could be drawn by either oxen or horses, they were – due to the introduction of shoulder harnesses – increasingly horse-drawn. Prior to the shoulder harness, introduced from the East in the ninth century, attempts to capture the horse's pulling power (which equated to that of four oxen) had been negated by neck harness, which tended to strangle the animal (Stevens 1941/1966: 143). Together, the horse and the heavy plow opened up the hitherto inaccessible soils of Europe's rich valley bottoms. Moreover, whereas the swing plow could do little more than create a shallow furrow, the heavy medieval plow could actually turn the soil over, burying weeds, and bringing nutriments to the surface. Increased levels of livestock also added to rural productivity by providing additional sources of manure. On a typical small plot, it is estimated that the serf and his family dug some 150 cartloads of manure into their fields each year (Braudel 1986/1990: 341). Collectively, the advance in medieval agriculture techniques contributed to a steady advance in grain yields. In France, these rose from 2.5 in the early Carolingian period to 4 or more during the High Middle Ages; an improvement which equated to a 60% gain in terms of rural productivity (Parain 1941/1966: 124).

One key but overlooked difference between the medieval serf and the peasant of Roman antiquity is that the former was a full-time professional. Indeed, the busy medieval schedule – sowing in autumn and spring, plowing of fallow in spring and summer, harvesting in late summer, and manuring of fields in every season – left time for little else. By comparison, the two-field system of antiquity left a comparative abundance of leisure; free time which the peasant soldiers of republican Rome invested in politics and war. Unlike the slaves employed on the Roman *latifundia*, the medieval serf also had reason to innovate. Yes, it is true that the medieval serf lacked both personal liberty and property rights. By custom and practice, however, peasant families were guaranteed a fixed share of their crop. Hence, a bigger crop added to household wealth. Over time, a number of factors worked to strengthen the peasant's hold on their plot; a tendency that further incentivized agricultural innovation. As a monetarized economy revived, feudal dues were increasingly commuted to a fixed monetary payment, effectively transforming the serf into a leaseholder. The demographic catastrophe induced by the Black Death (c.1347–1353) also strengthened the peasant's hand amid continent-wide labor shortages.

The importance of security of person and property in incentivizing rural productivity antiquity is best illustrated in the Dutch experience. A swampy and unattractive backwater in the tenth century, by the 1550s the Netherlands boasted Europe's most productive and commercialized agricultural sector. In many ways, as van Bavel and van Zanden (2004: 513) record, the Dutch experience between the eleventh and sixteenth centuries bears close resemblance with North America in the nineteenth century. A "frontier economy" with plentiful land and a shortage of labor in the eleventh century, Dutch farmers were attracted by promises of "almost absolute, exclusive property rights to the land they occupied" (van Bavel and van Zanden 2004: 504). Through constant experimentation the legally free Dutch farmers turned the "three-field" system of agriculture into one of continuous continuous cultivation as efficient forms of crop rotation avoiding the need for fallow. Initial labor shortages also caused high wages, forcing urban employers into high value-added activities (cloth manufacture, brewing, brickmaking). Meanwhile, the availability of peat fostered energy-intensive activities, most particularly glassmaking and brickmaking. Ready access to the sea facilitated an export trade. At the same time, the region's swamps and peat bogs necessitated investment in windmills to pump water from behind the dikes, further fostering technological innovation. When in the sixteenth century, the Netherlands began to suffer rural overpopulation the region avoided many of the problems experienced elsewhere. By 1550, half of the rural population of Holland – the most urbanized and populace Dutch province – was engaged in nonagricultural pursuits. Many found work in cloth weaving, fishing, and peat digging. Others moved into urban pursuits in manufacture, trade, and commerce. In consequence, 45% of Holland's population lived in towns and cities by the late sixteenth century (van Bavel and van Zanden 2004: 503).

In the Dutch experience, we witness an example of a society engaged in the early stages of industrial "takeoff," a process characterized – as the American economist, Walt Rostow (1963: 9) noted in a much acclaimed study – by the emergence of "new types of workers," "new technology," and "new and vigorous" forms of management. Yet, as Rostow also noted, not every society that experiences the early stages of "takeoff" makes the leap to full industrialization. The reason for this, Rostow (1963: 3) concluded, is found in the fact that initially dynamic industries often lose steam in the face of either demand or supply constraints, leading to "a more or less systematic path of deceleration." As Fig. 2 suggests, this appears to be exactly what happened to the Netherlands after 1600.

To better understand the factors that advanced and impeded innovation and transformative managerial practices, we need to extend our analysis from agriculture to manufacturing. In most accounts of medieval industry, it is textiles and clothing making which attracts most attention. At first glance, such an emphasis appears well justified. As Pirenne (1925/1952: 155) accurately recorded, "Cloth, more than any other manufactured product, was the basis of the commerce of the Middle Ages." In Florence in the mid-fourteenth century, there were, within a 60 kilometer radius of the city, as estimated 60,000 workers producing for the cloth trade (Braudel 1979/1982: 299). In 1680, in France's Languedoc region, there were 450,000 workers who supplemented their cottage income through spinning, weaving, or sewing (Braudel 1979/1982: 306). Parts of the cloth-making industry, most particularly fulling and dyeing, were also subject to mechanization as producers harnessed the power of water mills. Despite such attributes, however, we should not exaggerate the textile industry's technological and managerial advances. For, unlike the English cotton industry of the eighteenth and nineteenth centuries, which catered to a mass market, the medieval cloth trade served a small luxury custom. Production volumes were modest in the extreme. In the late thirteenth century, for example, Venice dominated the trade in high-quality cotton fabrics. Yet it processed only a miniscule 140 tons of raw cotton per year (Cipolla 1981: 209). In essence, the industry preyed on the gullibility of rich aristocrats, who paid inordinate sums so as to possess the latest Flemish or Italian fashion. Indeed, Eric Jones (1987: 86) declares the entire medieval trade in cloth to be a perfect example of Adam Smith's "bauble thesis"; a thesis which holds that the rich, by frittering away their money on "luxury and caprice," redistribute their wealth as if "they are led by an invisible hand" (Smith 1759/2017: 99). Such mechanisms are seldom capable of generating profound change. Innovation and advancement in the medieval and early modern textile industries was also much hindered by the craft guilds, which vigorously opposed new production techniques that could lead to either lower costs or unemployment. Where, as in Flanders, employers managed to circumvent the guilds, the resultant work practices proved to be neither enlightened nor sustainable. Writing of Flemish working conditions, Pirenne (1925/1952: 154) declared them to be "very miserable," producing "a brutish lower class, uneducated and discontented." The widespread outsourcing of work to the cottage sector – variously described as "proto-industrialization" or "putting-out" – also did little to foster managerial innovation or productivity. As Allen (2003: 408) observes, in the early modern era such practices were far more commonly associated with "economic stagnation" than advancement.

If we are looking for an industry central to European innovation and advancement, it is not textiles but iron making. For, as the American historian, Lewis Morgan (1878: 43), had reason to observe:

> The production of iron was the event of events in human experience, without a parallel, and without an equal . . . Out of it came the metallic hammer and anvil, the axe and the chisel, the plough with the iron point, the iron sword; in fine, the basis of civilization.

Significantly, advances in iron and steelmaking in the feudal and early modern eras could not occur in isolation. Instead, innovation and increased production in this sector demanded linkages and advances in other industries, most particularly mining, transportation, and power generation, linkages which produced a cascading series of economic multipliers.

In the medieval era, the revolutionary effects antiquity of iron making first manifested themselves in an economically significant way in agriculture. The herald of an agricultural transformation was the medieval village blacksmith, a person who was a stranger to most rural communities prior to the twelfth century. In Picardy, part of France's agricultural heartland, few if any villages boasted a blacksmith in 1100. A century later a third of Picardy's villages had one, a development that prefigured the growing availability of a range of metal tools: heavy wheeled plows, hoes, axes, and knives (Cipolla 1981: 170). This proliferation of both blacksmiths and metal tools pointed to radical changes in smelting. Traditionally, European metallurgists – like their Indian and Asian counterparts – had smelted ore with the assistance of hand-operated bellows; a practice that gave the industry its small, cottage character. In the eleventh and twelfth century, however, iron makers in Western Germany and the Netherlands began connecting enormous bellows to large waterwheels (Braudel 1967/1974:279). By channeling the resultant blasts of heated air the new "blast furnaces" revolutionized production. The size of furnaces grew exponentially. European output increased from as little as 25,000 tons per year in 1400 to 100,000 tons per year in 1525 (Cipolla 1981: 216; Braudel 1967/1974; 282). The key role of water mills in transforming iron smelting was replicated in a range of industries: the grinding of grain, brewing, crushing ores, and pulping cloth rags into paper. In the English county of Surrey, there was by 1100 one water mill for every 35 families. By the fifteenth century, France boasted 70,000 water mills. Across Europe as a whole there were, by the late 1700s, half a million water mills in operation (Cipolla 1981: 97; Braudel 1986/1990: 145). Equally transformative was the wind-powered tower mill, an adaptation of a seventh-century Persian invention. Capable of operating away from fast-running streams, the windmill was also more powerful than its water-powered counterpart, generating up to 30 horsepower (Cipolla 1981: 173–174). In Holland, where the windmill became an iconic landmark, five new mills were being constructed each year by the late 1400s (van Bavel and van Zanden 2004: 520). In France there were an estimated 20,000 mills in operation by 1500, generating power equivalent to that of 600,000 horses (Braudel 1986/1990: 145). Such was the transformative effect of the new blast furnaces and new forms of power generation that (Braudel 1986/1990: 145) aptly describes the period between the twelfth and fifteenth centuries as Europe's "first industrial revolution."

If the harnessing of water and, subsequently, wind power allowed Europe to clear one set of technological hurdles, further advancement was curtailed by another: a shortage of wood for heating and smelting. The significance of this barrier cannot be overstated. For in our energy-intensive modern world – where many believe the environment is threatened by the contribution of carbon-based forms of energy (most particularly coal) to "climate change" – it is easy to overlook the destructive pressures which pre-industrial societies placed on forests and woodlands. As noted in the introduction to this chapter, wood was required for heating, cooking, and smelting as well as for construction and shipbuilding. The demands placed by urban centers on forest reserves were particularly prodigious, Paris requiring a ton of wood per person per year on the eve of the French Revolution (Braudel 1967/1974: 270–271). A partial solution to this problem was devised by the Dutch, who utilized locally sourced peat for domestic and industrial heating and firing. Peat, however, was no substitute for charcoal in iron smelting, a fact that made it nigh impossible for the Netherlands to assume leadership in this vital sector. Instead, leadership passed to England.

In large part, English inventiveness was driven by necessity. Lacking the copper need to make bronze cannon, England perfected the technique of making iron cannons. Although less durable than bronze, iron weapons were ideal for naval ships where guns were fired less frequently. Accordingly, by the late sixteenth century, the export of iron cannon was a lucrative English trade (Cipolla 1981:

289). This burgeoning business collapsed, however, as wood-derived charcoal became prohibitively expensive. Output from England's furnaces, which reached an unprecedented 75,000 tons in 1640, also fell away (Braudel 1967/1974: 253). The solution was found, as we have noted earlier, in a resource which England had in ready abundance: coal. Admittedly, even in England the practice of using coal-derived coke in iron and steelmaking in lieu of charcoal – a practice pioneered in 1627 – was initially slow to take hold. It nevertheless represented the breaking of a final technological barrier; a leap forward that totally and utterly transformed the nature of capital investment. For the fundamental problem with capital investment in pre-industrial societies is that only stone provided for durability, whether used in construction or road-building. Other investments seldom lasted for long. Wooden plows and weaving frames easily broke. Timber ships only lasted a few trips before their hulls were eaten away by marine borers. Horses and cows died prematurely. By contrast, although it took a century and a half of experimentation before British iron workers were to fully perfect the use of coke in lieu of charcoal, these ventures gradually opened up a new wold of managerial endeavor, a world built around iron rather than wood.

By the eighteenth century, the changed nature of capital investment was most evident in England, where a growing appetite for coal and iron advanced hand-in-hand with increasingly radical innovations. From the 1750s canals were constructed to provide inland towns with sought after supplies of coal, the first such system, the Bridgewater Canal – which linked Manchester to the Lancashire coal fields – opening for business in 1761. As coal demand surged, mines became ever deeper, necessitating the generalized adoption of the Newcomen steam engine so as to keep water levels in check.

If, by the 1700s, England had become the pace-setter in new technologies and work practices, we should not infer a lack of interest in things mechanical in the rest of Western Europe. On the contrary, European society – from the feudal era onward – always showed an almost obsessional interest in mechanical contrivances. This mechanical orientation, which was reflected in almost every area of endeavor, was arguably best demonstrated in a new approach to time. Previously, pre-industrial societies had always determined the time of day, and the passing of the seasons, by the location of the sun and moon. From the thirteenth century, however, there began a concerted move to measure time mechanically. Initially, there was little practical use for the resultant clocks. Rather, as Cipolla 1981: 182) observed, the people of feudal Europe "thought of measuring time in mechanical terms because they had developed a mechanical outlook." Eventually, however, European society found a use for the newly invented clock, just as it found use for a host of other inventions (the lateen sail, the compass, telescopes). For as European seafarers ventured out into the Atlantic and Indian Oceans the old navigational skills, acquired in the Mediterranean and North Seas, no longer applied. Even the North Star disappeared in the Southern Ocean. In this new maritime world, a calculation of longitude, and thus a determination of where one was in the vastness of the ocean, could only occur by reference to a set of tables that recorded time at different locations. And, without an accurate measurement of time, obtained from marine chronometers, such references were meaningless.

Despite all its technological achievements, Europe was in the 1700s still a largely pre-industrial society. The living conditions of the average peasant, building worker, or urban craftsman were little different from what they had been in the High Middle Ages. Yes, there were gains in agricultural productivity. But these tended to be swallowed up by increases in population. Of the 100–110 million people who inhabited Europe in 1700, only 3% to 4% regularly ate white wheaten bread. Most survived on coarse rye bread, oat or barley porridge, and boiled vegetables, washed down with cheap wine or low-strength beer (Braudel 1967/1974: 94). Commercial textile manufacture continued to be directed at a luxury market, leaving the bulk of the population in rags. The gains in agriculture and manufacturing were, in short, primarily found in capital equipment – and scientific and technical knowledge – rather than consumables. Nowhere were these latter advances more obvious that in shipping. By the sixteenth century, the single-masted ship of antiquity and the Norse longboat were distant memory. In their place were vessels that encapsulated European advancement, multi-mast affairs capable of tacking into the wind and armed with bronze or iron cannon. On observing such ships for the first time in 1517, one Chinese official reflected, with justifiable concern, "the westerns (sic) are extremely dangerous because of their artillery. No weapon ever made since memorial antiquity is superior to their cannon" (cited Cipolla 1981: 223).

Medieval and Early Modern Life: Commerce, Finance, and Trade

In the medieval and early modern eras, the gains made in the world of production were largely due to the efforts of a myriad of anonymous craft workers and farmers, tinkering away with modifications that seldom delivered much in the way of either recognition or financial fortune. If one wanted to advance one's wealth, one was better advised to enter the worlds of commerce, finance, and trade. In these worlds, across the entire time period we consider (i.e., AD 450–1750), the key dynamic was always the same: buy cheap and sell dear. And the key to buying cheap and selling dear was to enter the long-distance trade in commodities, obtaining cheaply at distant markets what could not be found locally.

Initially, in the early medieval era, the volume involved in long-distance trade was miniscule. Writing of the situation that prevailed in the 1200s, Pirenne (1936: 161) observed that "the tonnage of a single [early] twentieth-century ship" was equal in tonnage "to that of the whole Venetian or Genoese fleet." What made the activities of a comparative handful of entrepreneurs so significant during the twelfth and thirteenth centuries was a unique combination of risk and reward. Of these two factors it was, arguably, the former that was decisive in shaping revolutionary new accounting and financial practices. For in a well-ordered and well-policed society, a businessperson can carry out their activities with little thought to robbery, murder, and mayhem. In the mind of the medieval merchant, however, such dangers were ever present. To transport luxury goods was dangerous enough. Even more hazardous was the prospect of returning home with a purse full of silver or gold. Not only did one face robbery from unknown assailants. There was also the possibility that some or all of one's money would be seized by some government official, acting at the direction of a princeling who was attempting to stem the flow of specie from their realm. How, in such circumstances, could a Venetian merchant exchange a shipment of spices or silk with a Parisian buyer and return home safely? The ingenious solution to this was the *instrumentum ex causa cambii*, or the "bill of exchange."

The operation of "bill of exchange" is brilliantly described in Luca Pacioli's famed study of accounting and mathematics, the *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*.

If, for example, a Venetian merchant wished to purchase Flemish cloth from a Parisian merchant at the Champagne trade fair, he could deposit money (e.g., 200 Venetian ducats) with a Venetian bank or finance house. In return, he would receive, having paid the banker a commission, a "draft" payable in Paris in French livres. "To prevent misunderstanding," Pacioli (1494/1994: 56) recorded,

> ... such documentary credits, by custom, include specific written instructions ... details of the currency, the validity of the credit, whether partial shipments are allowed, detailed advice on commission, interest and other costs ... In other words, every what, why and how needed to support the transaction.

On obtaining the purchased cloth from his Parisian counterpart, the Venetian merchant would provide in exchange both his financial "draft" and a "duplicate receipt," obtained from his banker, which verified that the "draft" was backed by physical currency. On returning to Paris, the French merchant could then exchange this draft, having paid a commission to his banker, for local currency. Now, let us assume that our Venetian merchant has also sold the Parisian entrepreneur a shipment of spice for 200 Venetian ducats and obtained in return a "draft" (backed by a duplicate receipt) payable in Venice. On returning to Venice our merchant then presents this "draft" to his own banker, receiving in return his original 200 Venetian ducats, minus a commission (see Pacioli 1494/1994: 57). Under this system of financial exchange the need for physical currency is almost entirely eliminated. The Venetian merchant's original 200 ducat deposit provided, in effect, merely a backing for his international "draft"; a backing which could have been dispensed with if he had "credit" with his bank. For the Venetian and French bankers, each of whom benefited from commissions, the credits and debits in this international exchange have balanced out. Meanwhile, the Venetian and Parisian merchants have secured commodities which were scarce in their local markets, allowing them to sell locally for a handy profit. All that needed to occur at the end of this exchange process was a reconciliation of accounts between the various bankers. In the medieval and early modern worlds such "settlements" invariably occurred at one or other of the various trade "fairs" (Champagne, Piacenza, etc.). At these fairs the medieval bankers (or their representatives) typically arrived with "masses of bills of exchange" but little in the way of cash, the need for the latter being negated by the fact that credits and debits almost always "cancelled each other out" (Braudel 1979/1982: 90–91).

Although the "bill of exchange" was initially designed to overcome the dangers of long distance, it almost immediately gave rise to a host of new financial instruments. Often, rather than wait for payment on the date stipulated on their "draft" (e.g., 1 September), a merchant would sell his "bill of exchange" for a discount (e.g., 90% of its face value) in order to obtain cash sooner rather than later. Such "discounted bills" could then be sold or resold or used as a collateral for the purchase of goods or property. Because "bills of exchange" issued by well-known banks or financiers were easily traded, most merchants maintained deposit accounts with such reputable institutions. By the fifteenth century, the practice of issuing "checks" that drew on such deposits was commonplace. As Pacioli (1494/1994: 53) advised his readers, "Out of your deposits, individual payment by check (sic) may be made to anyone." The practice of conducting business through bank "credit" was also normalized, Pacioli (1494/1994: 1) noting that "Many without capital of their own whose credit was good have managed to finance large transactions using their credit." Typically, the interest rate charged in the medieval era for financing long-distance cargo shipments – the lifeblood of the emerging systems of commercial capitalism – was high. In Venice during its mercantile heyday, a charge of 20% was normal (Pirenne 1925/1952: 111). But, if interest rates and risks were high, so too were potential profits.

Long-distance trade and the new financial systems that were its lifeblood were also seminal to a revolutionary new system of accounting: double-entry booking. In describing the system as "used in Venice" in the fifteenth century, Pacioli (1494/1994: 4, 2) observed, "This double-entry system is really essential to merchants because, without making the entries systematically, they may not be able to control and manage their business. Without double-entry, businessmen would not sleep easily at night." The essence of the new double-entry system was the insight that: "The very day a debit is born, it has a twin credit. So it is quite natural for them always to go together" (Pacioli 1494/1994: 26). Without such understandings the modern business world would be inconceivable.

Even more revolutionary than the new system of double-entry booking was the generalization of a new commercial outlook, which underpinned not only new social relationships but also new bodies of commercial law. For the key to any capitalist system of commercial exchange is trust. The need for trust is most obvious at the level of individual exchange, Pacioli (1494/1994: 1) advising his readers that "In the business world nothing is considered more important than the word of a reputable businessman. Promissory notes are honoured and accepted based on a businessman's reputation." To enforce contracts a myriad of disciplinary procedures and regulations were established, first by the various merchant guilds and then, subsequently, by government. Of the situation that prevailed in late fifteenth century Europe, Pacioli (1494/1994: 53) advised that "A check (sic) is a formal legal document under federal law," by which he meant the legally enforceable procedures accepted "in Venice, Bruges, in Antwerp, Barcelona, and other places familiar to the world of commerce." Commercial relationships required, however, more than trust between merchants and bankers. They also required trust between the agents of the commercial world and government, assurances that were most vital in terms of liberty of person and security of property. It was this fundamental need which made this new commercial class – acquisitive, self-serving, and elitist as it was – such a revolutionary, indeed, democratic force. At every level of government, this new commercial class constantly battled the arbitrary behavior of princely authority. In doing so it helped inspire a new political and economic ideology, one which located the sole justification for government in the protections it provided for both person and property. As the great English political theorist, John Locke (1689/1823: 159) famously observed in giving voice to this new sentiment, "The great and chief end . . . of men uniting into commonwealth and putting themselves under government is the protection of property." In Locke's view, as of countless others, any government who failed its duty in this regard was illegitimate and unworthy of its citizen's support.

If the risks involved in long-distance trade acted as inspiration for new financial instrument and accounting methods, there were nevertheless a number of factors that limited this business domain to a fortunate few. Nowhere was this more evident than in trade with the East, the source of much sought after spices, silks, and cottons. In part, reason for the monopolization of the eastern trade by a comparative handful of traders is found in the winds. In the Mediterranean, winds favor easterly travel in the spring and westerly movement in late summer and autumn, effectively limiting medieval Italian shipping to one return voyage a year. In bypassing the perils of the Middle East, the ship captains of the early modern era faced even longer periods away from home. To reach the East from Portugal, Britain, or the Netherlands entailed sailing ships following the trade winds to South America, before catching the "Roaring Forties" to the Indian Ocean. Typically, it took an outward-bound ship at least 6 months simply to obtain the coastline of India. Such circumstances excluded most small operators from the eastern trade, and by the early seventeenth century this lucrative business was effectively the domain of two state-protected monopolies: the English East India Company (est. 1600) and the Dutch East India Company (est. 1602). Almost immediately, each of these public share companies effectively became a "state within a state," possessing its own armies, navies, and state bureaucracies and ruling over vast territories. Through military action the Dutch evicted the Portuguese from the East Indies (modern Indonesia), turning this fabled territory into a company fief. In India the English East India Company followed similar strategies, gaining military control of Bengal and a string of coastal ports. Such companies were, it needs to be emphasized, far removed from the modern firm, which operates in a market economy according to law. Yes, they did undertake the management functions of planning, organizing, leading, and controlling. But they never showed much affection for either market forces or law. Instead, their business model was built on exclusion of competition and a capacity for extreme violence. Even in the Atlantic trade, where there were fewer natural obstacles to large-scale commerce, any tendency toward free trade was curtailed by the "mercantilist" policies pursued by every European government during the seventeenth century. Such policies, which sought to create trade surpluses by limiting commerce to favored local monopolies, restricted the most profitable areas of trade to a small well-connected coterie. In the case of eighteenth-century France, where mercantilist policies were pursued with particular vigor, the nation's entire international trade "was monopolized by less than a dozen powerful merchants" (Braudel 1986/1990: 556).

In fostering trade in luxuries and high-value staples, the merchant of the medieval and early modern era was constantly forced to secure their supply chain through an active involvement in the production process. Nowhere was this tendency more evident than in textiles and cloth making, the industry which – as we have previously noted – served as the core business for medieval trade. The merchant's domination of high-value manufacture of woolen, cotton, and silk fabrics was, in part, driven by necessity. The medieval textile worker, be they an urban craftsman or a rural cottage outworker, lacked the financial wherewithal to bring together the raw materials, woven cloth, and dyes required for the finishing of quality textiles. Instead, it was the merchant-capitalist who typically coordinated production, providing the artisan or cottager with materials and picking up the completed product so as to move it along to the next production stage. Intervention of the merchant in the production process was also forced upon them by the constant changes in fashion. It was not only alteration in the length, cut, and color of fabrics that drove changes in fashion. Everywhere, the merchant's need to stay abreast of the local fashion and techniques made him an enemy of craft restriction, a battle in which the merchant-capitalist constantly sought to either circumvent the master craftsman by "putting-out" work to rural cottagers or enforcing a series of controls that effectively reduced him to the status of a wage laborer (Braudel 1979/1982: 317). As in other business domains, therefore, the merchant-capitalist's battle with guild restrictions made him an agent for innovation. We should not, however, exaggerate the effects of his actions in this area. For, in the medieval and early modern era, the textile sector was rarely large enough to generate the multipliers necessary for sustained industrial advancement. Nowhere was more evident than in northern and central Italy. By the mid-seventeenth century, as Fig. 4 demonstrates, this one-time hub for textile manufacturer had become an economic backwater, subject to a collapse in real wages.

The capacity of Western commerce to lead societies into economic dead ends and archaic forms of production – as well as in the direction of innovation and industrial advancement – is also evident in the new forms of commerce and trade that emerged in the Baltic and the Atlantic from the sixteenth century. A number of factors drove such trends. In the first instance, Western Europe was propelled to acquire high-value staples (grain, timber, coal, fish, silver) so as to offset growing domestic shortages. In the case of Portugal, the first Atlantic maritime power, its initial ventures into the unmapped stretches of the Atlantic were thus driven by a search for new fisheries rather than eastern spices. Such was the frenzy of this search that within a few decades they had "fished out the Atlantic islands and hunted the seal colonies there, and . . . down to the Cape of Good Hope, to the brink of extinction" (Jones 1987: 78). Similarly, in the North Sea, the Dutch laid the basis for their commercial success by exploiting new herring fisheries in the North Sea, displacing the Baltic cities of the old Hanseatic League as Europe's principal supplier of salted fish (North and Thomas 1973: 112). From the North Sea, the Dutch forced their way into the Baltic, entrenching themselves in a trade which – even after the capture of the East Indies – remained the key to their commercial prosperity. Evidence of this domination is found in the tolls imposed by Danish officials on ships entering and leaving the

Baltic. In every year between 1550 and 1650, a majority of such ships were Dutch. In some years the figure stood at 85% (Cipolla 1981: 271). The key to the Dutch success, which enabled it to transport grain and timber at a profit, was a new type of ship: the *fluyt*. Constructed with an eye to labor productivity – the handling of sails facilitated by a complex system of pulley and blocks – the *fluyt* could be sailed with far fewer hands than rival ships, allowing the Dutch to undercut any competitor (Cipolla 1981: 274–275). In using the *fluyt* to control the Baltic trade, the Dutch pursued the same basic strategy in the sixteenth century which the Italians had pioneered in the thirteenth century: they played on aristocratic vanity and gullibility. Whereas the Italians had extracted cash from French aristocrats in exchange for the latest fashion, the Dutch traded cheaply made beer, low-quality wine, shoddily made furniture, and colorful cloths with the aristocrats of Poland, Latvia, Lithuania, and Russia. In return the aristocracy of Central and Eastern Europe organized the felling of vast forest reserves and the growing of huge quantities of grain (principally rye) on new, commercialized estates. Every Polish river became chocked with immense rafts of wood destined for the Baltic ports (Braudel 1967/1974: 269). To secure labor for their estates, the aristocracy also initiated a process which reduced the peasantry of Eastern Europe to the status of chattel serfs. In Poland, new legal statutes in 1519 and 1520 allowed the enforcement of 1 day a week of compulsory labor on the local landlord's estates. By 1550 a peasant could be legally subject to 3 days a week of compulsory toil. In 1660 the Polish government raised the period allowed to 6 days, effectively making the peasant a full-time serf (Braudel 1979/1982: 267).

The tendency for Western commercial capitalism to create the most backward forms of labor exploitation on its hinterlands – even as it was creating financial and technological innovation in its home markets – became ever more apparent in the plantation economies of the Americas. Whereas the Baltic remained Western Europe's principal provider of time-honored commodities (i.e., grain and timber), the plantations of the Caribbean and the Americas serviced novel demands for sugar, coffee, and tobacco. Of these new products, the British colonies of Virginia and Maryland quickly gained an ascendancy in the production and export of tobacco, a product initially marketed for its beneficial effect on the lungs. By 1699–1701 these two colonies alone were sending £22,000,000 ($3.44 billion in current US dollars) of product back to London, where it was re-exported all over Europe. Eighty years earlier, Virginia and Maryland had exported just £20,000 ($3.1 million current US dollars) (Cipolla 1981: 235). Prior to the Industrial Revolution, however, when production of American-grown cotton became essential to the functioning of Lancashire's mills, it was sugar which provided the principal foundation for the plantation economy of the Americas. In 1773 the value of Britain's trade with the sugar island of Jamaica was worth five times that of all its North American colonies. Among France's overseas territories the greatest jewel was Guadeloupe, the French crown readily surrendering the frozen wastes of Canada at the end of the Seven Years' War in order to hang on to Guadeloupe's cane fields (Ferguson 2008: 72). In every locality this sweet, lucrative bounty fed an insatiable demand for slaves. In the Caribbean, where slavery was a comparative rarity prior to 1600, an estimated 450,000 African slaves were imported during the course of the seventeenth century.

Brazil imported half a million. Across the Americas as a whole an estimated 1,325,000 Africans arrived in chains during the seventeenth century, destined for a life of misery (Curtin 1969: 77).

If the sugar, coffee, and tobacco exports of the Americas during the seventeenth century were associated with both great wealth and incomparable misery, we should nevertheless not exaggerate either its scale or its impact on the wider world economy of the time. Prior to the nineteenth century – when the Industrial Revolution brought about by a shipping revolution and a new mass consumer market – the exports of the Americas remained a luxury trade, peripheral to the experiences of most Europeans. Even the sugar industry, the most plebeian of the American exports, catered to the tastes of a luxury market prior to 1750. As Sidney Mintz (1985: 148) noted in his study into the global sugar trade, it was only from 1750 that English workers began to add the occasional teaspoon of sugar or treacle to their cup of black tea. As late as 1850, it was still a rarity in most household pantries. Even the seventeenth-century slave trade remained a comparatively small-scale affair compared to the ensuing century, when an increased demand for cotton and sugar gave slavery a new lease of life. In a single decade, 1740–1750, British ships carried a record 200,000 slaves to the Americas, a figure that equated to almost half the total Caribbean trade during the previous century (Thomas, 1997: 264). The small-scale nature of the early modern world's maritime trade – when compared to that which characterized the post-1750 world – can also be ascertained by looking at the tonnage of the European shipping fleet. In the early seventeenth century, it is estimated, Europe's total carrying capacity amounted to no more than 600,000 to 700,000 tons (Braudel 1967/1974: 265). This equates to the capacity of just four modern Capex-class ships (standard dead weight, 170,000 tons), vessels which act as the work-horses of today's maritime trade (Polo 2012: 27). Even in 1789, when tonnage stood at a record 3.4 million tons, Europe's carrying capacity was derisory by modern standards, equating to 20 of today's Capex-class ships.

In the early modern era, as in the Middle Ages, the revolutionary characteristic of European commerce and trade is found not so much in what was exchanged as in the financial skills that were acquired along the way. During the medieval era, when Italian merchants first perfected the "bill of exchange," the finance industry retained something of a cottage character. Settlement of accounts occurred at widely spaced intervals, typically occurring at one or other of the European trade fairs. As the new Atlantic economy expanded during the sixteenth century, however, finance and banking become professionalized, making possible a continuous trade in an increasingly exotic range of financial instruments. Central to the success of the new financial centers of Antwerp and – following Antwerp's pillaging by unpaid Spanish troops in November 1576 – Genoa and Amsterdam was the creation of large credit markets that allowed small investors to buy long-dated bonds and annuities. The Genoese, in particular, enriched themselves by acting as bankers to the Spanish Crown. The scale of this business can be ascertained by the fact that in 1562 the Spanish Crown – supported by the revenues of Castile, Aragon, Catalonia, southern Italy, Milan, the Low Countries, and a vast influx of American silver – was spending over 25% of its annual budget on interest (North and Thomas 1973: 129). Amsterdam, where the world's first stock exchange was created in 1602 to trade shares in the Dutch East India Company, was even more successful in attracting a large pool of small investors, many of whom were drawn to the stock market's speculative riches like moths to a flame. The most beneficial effect of this growth in investment capital was a sharp fall in borrowing costs. Whereas previously the standard interest rate charged by lenders was 20%, by the 1600s Dutch lenders were only charging 3% (Pirenne 1925/1952: 111; North and Thomas 1973: 142).

As the bourses, stock exchange, and lending houses of Genoa, Amsterdam, London, and Paris grew in sophistication and importance, their relationship with Europe's princely powers became increasingly problematic. On one hand, merchants and financiers looked to government to ensure law and order and the protection of property, just as Europe's crowned leaders looked to the financial sector for loans. On the other hand, the mindset of the various kings and princelings was essentially feudal, directed as it was toward dynastic aggrandizement and the perpetuation of aristocratic privilege. Increasingly, moreover, Europe's crowned heads – seeking to buttress their own financial position – began to impose a whole series of taxes and restrictions which came to be seen as "feudal" but which were in fact of recent contrivance. Every royal administration in Western Europe sought to make money in the sixteenth and seventeenth century by selling monopoly rights and royal charters. In France the dyeing of cloth was subject to 317 legal provisions in the mid-1600s, each potentially subject to royal inspections and fines (North and Thomas 1973: 126). On the eve of the French Revolution, the transport of a load of timber potentially exposed an entrepreneur to 35 separate tariffs and duties, imposed at 21 separate checkpoints (Braudel 1986/1990: 491).

By 1750, it is evident, Europe stood at a crossroads in which many of the new forces of commerce and industry rubbed up against not only the restrictions of government but also the limitations imposed by the small size of markets and the continued poverty of the bulk of the population. In considering this conundrum, Marx and Engels (1848/1953: 35) argued in their *Communist Manifesto* that the restrictions imposed by the guild system and the feudal state turned the "bourgeoisie" into "a most revolutionary" political and social force. There is, however, no intrinsic reason why the state of affairs that existed throughout most of Europe and the Americas in 1750 necessarily led in the direction of a new industrial economy. In 1750, as in 1150, the commercial and financial sectors serviced small luxury niche markets. In doing so, merchants and bankers enriched themselves. Even where revolutions reduced both royal powers on commerce, there is no inherent reason why this should cause any fundamental alteration in methods of work and production. If we are looking for the "most revolutionary" forces in Europe in 1750 – measured in terms of their capacity to fundamentally alter the nature of management – we would certainly not find them among the sugar and tobacco merchants of Virginia or London. Rather we would find them among the builders of the Bridgeport Canal, which helped create the world's first mass market, and among the engineers who serviced the new steam engines pumping water from Britain's coal mines.

Conclusion

In assessing managerial and business practices, and associated systems of work and technology, one needs to constantly maintain a sense of perspective, to neither understate nor overstate the degree of advancement. Yes, it is true, as Burckhardt (1867/1954: 101) famously observed in his study of the Italian Renaissance, that the growth of commerce during the late medieval era was seminal to the emergence of a fundamentally new sort of society, one that emphasized "individuality" and "a development of free personality." During the Renaissance the glorious island city of Venice was, for a time, "the jewel-basket of the world." It was from Venice's Rialto, so Burckhardt (1867/1954: 51) recorded with only a slight degree of exaggeration, that "the business of the world" was transacted. As Europe's preeminent businesspeople, the Venetians had little room for superstition or religious dogma. When in the early seventeenth century the mathematician and experimental scientist, Galileo Galilei, opened up new vistas in commerce and astronomy with his telescopes, the Venetians defended him against all criticism. Galileo's near fatal mistake was to leave the safety of the Venetian lagoon to live in less commercially oriented communities. Evidence of the transformative effects of commerce on the medieval mind is found in unlikely places. For example, in his *Treatise on the Rule and Government of the City of Florence,* Girolamo Savonarola (1495/2006: 195) – the radical Dominican infamously associated with the "Bonfires of the Vanities" (i.e., the public burning of books, paintings, and personal luxuries) – argued that the religious and political reform would benefit Florence "because merchants and other rich men, hearing of this good government, will flock to the city." And, the inevitable consequence of this, Savonarola (1495/2006: 203) continued, would be that "everyone will be free . . . and everyone will find work." Yet, in Savonarola's Florence we also get a sense of profound doubt as to where the society was headed, a sense that the glittering commerce of Renaissance Italy was trapped in an economic dead end. Such concerns were well founded. By the 1500s, real wages in Florence and nearby Milan had begun a long, grinding process of decline. In the latter half of the eighteenth century, the real wage of unskilled building workers stood at just 56.5% of its sixteenth century peak (Broadberry and Gupta 2006: 7).

In the final analysis, the failure evident in not only Florence and Milan but in most Europe societies in the early modern era must be attributed to a failure of management. Certainly we can find plentiful evidence of business entities, large and small, carrying out the basic functions of management: planning, organizing, leading, and controlling. When, however, we extend our definition – as we have throughout this chapter – to include a wider criteria (attention to costs, firm specialization, gearing of production to mass markets, legal protection of property and individual liberty, free movement of capital and labor) a very different picture emerges. Despite advances in accounting it was still the case in the mid-eighteenth century that few businesses either understood or cared about their cost structure (Hoskin and Macve 1986: 112—13). The reason for this is found in the fact that the great bulk of industry and commerce was geared either to local markets, where there was little competition, or to long-distance trade in luxuries and high-value staples. Profits could be made in such markets even with high costs. Of the Hungarian and Polish magnates who sold grain into Western European markets, Braudel (1979/1982: 271–272) observed, "Everything was easy for them . . . They did not strive to reduce the cost of production . . .Whatever the state of the harvest, it was all profit to them." Lack of attention to costs stemmed, in very large part, from the fact that there were no mass markets. On this front we can only attribute a small part of the blame to feudal tolls, charges, and guild restrictions. The real problem was logistical. Land transport remained slow and prohibitively expensive. The tonnage of shipping available at any one time was miniscule by modern standards, the total capacity of the European fleet being easily dwarfed by a handful of modern bulk carriers. Logistic problems also curtailed the movement of capital and labor. Even in 1750, most people lived and died within walking distance of where they were born. Admittedly, the early modern era did witness major advances in terms of protection of property and individual liberty, at least in Northwestern Europe and North America. For most people, however, their freedom was in many ways purely nominal. Living in small and still isolated communities, a vast majority lived on the land, engaged in backbreaking toil. Economically and socially, their options were limited.

If there is one seminal conclusion to emerge from this chapter is that we need to extend our definition of "modern management" even further than we have previously. For, as this chapter has discussed previously on numerous times, pre-industrial societies are built on wood. This causes many adverse effects. Because capital goods (ships, plows, bridges, etc.) are built of wood rather than iron they are inherently fragile. Energy – whether for lighting, heating, or vehicular propulsion – is always in chronically short supply. Inevitably, due to the insatiable demand for timber, there comes a point when native forest reserves are all but consumed. Yes, it is true that feudal society made major advances in harnessing the power of nature in the form of water mills and windmills. From the High Middle Ages onward, however, there was little further advancement, creating a technological ceiling which even the Dutch proved incapable of breaking through. In the end, only England proved capable of breaking through the barriers that had constrained other societies. England's pioneering role owes much to its unique capacity to link new forms of energy (most particularly coal and steam) to new forms of managerial organization. And while it is the mechanization of cotton manufacture that is most commonly associated with the initial stages of the Industrial Revolution, its advances, in truth, were only possible due to earlier gains in coal mining. For the utilization of coal on a mass scale involved far more than simply the mining of another commodity. It entailed a managerial revolution on many fronts. Unlike most other industries, coal mining was capital intensive, requiring the mobilization of large pools of capital through extensive partnerships and share companies. Always a comparative low-value commodity, the profitable mining of coal necessitated a transport revolution or, to be more exact, a series of transport revolutions. Throughout the early modern era the bulk of England's shipping fleet was made of colliers, one commentator observing in the mid-1600s that coal transport was "the chiefest in employment of [British] seamen" (cited, Cipolla 1981: 290). Entrepreneurial and logistical skills obtained in this field transferred to other areas of shipping, laying the basis for Britain's maritime prowess. To efficiently move coal from pithead to ship, England's coal owners also pioneered the world's first (horse-drawn) tram lines. The creation of the world's first true internal mass market was another direct result of the English coal industry as, beginning in the 1750s, a series of canals began to crisscross the country, bringing cheap sources of energy to the towns of England's interior. Unlike other industries the English coal trade was also highly competitive. Writing of the period between 1625 and 1700, John Neff (1932b/1966: 75) observed that "evidence of cut-throat competition and glutted markets" was "especially striking." Savage competition also created modern patterns of labor relations as employers were forced to manage some of the largest workforces of the pre-modern era amid constant fluctuations in sales and prices. In terms of production, Britain's mine managers needed to learn increasingly complex operational skills. People and coal had to be mechanically raised and lowered at the pitheads. Water had to be pumped out. As we have previously noted, the latter problem led to the production and widespread use of the world's first form of steam power: the Newcomen steam engine. Coal mining, and the coal-derived coke that was one of its offshoots, not only made iron making cheaper and easier, the industry also, subsequently, acted as a principal customer for England's eighteenth century iron and steel foundries. In short, in the English coal industry we witness the creation for the first time of an industry that was the antithesis of pre-modern forms of management: an industry characterized by capital intensity, complex forms of ownership, the organization of work around revolutionary new technologies, high-degrees of competition, and the direction of production toward mass markets rather than luxury consumption.

Cross-References

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From Feudalism to Modernity, Part 2: The Revolution in Ideas, AD 450–1750

10

Bradley Bowden

Contents

Abstract

This chapter explores the ideas and intellectual ethos that both advanced and retarded managerial innovation and endeavor between AD 450 and 1750. Many of the factors that advanced managerial ideas and practices during this period owed their origins to the medieval monasteries. Prominent among these were a love of learning and new institutions for study in the form of universities. The medieval monasteries also placed a high value on the dignity of work, fostering a "Calvinist" work ethic long before the Protestant Reformation. It was also the case that work and study were seen as intertwined rather than separate in the medieval monastery. If, however, an emphasis on learning and work advanced both management and society as a whole, it was also the case that some of the institutions responsible for progress also acted as retardants. Prior to the Reformation, the Catholic Church's claim to the only legitimate source

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of knowledge acted as a brake on new forms of inquiry. The late medieval enthusiasm for Aristotelian philosophy and science was another obstacle; not only did Aristotle draw a sharp distinction between "theoretical" and "empirical" thought. He also believed "theology" to be "the most divine science." Only with the Scientific Revolution of the seventeenth century were new secular forms of research and inquiry legitimated.

Keywords

Management · Catholicism · Monasteries · Calvin · Dante · Isaac Newton · Scientific revolution

Introduction

The period between the fall of the Western Roman Empire and the Industrial Revolution was one characterized by profound shifts in ideas, a shift which saw management increasingly embrace science as a transformative agent. By 1750, it is clear, a unique capacity to link scientific inquiry with other factors peculiar to the economies of northwest Europe and North America – individual liberty, the need to motivate legally free workforces, guaranteed protections for private property, attention to costs, the gearing of production to mass markets, and a newfound capacity to exploit almost limitless reserves of artificial energy in the form of coal – underpinned a profound and irreversible alteration in the human condition. For, as we noted in ► Chap. 9, "From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750" the societies of the medieval and early modern worlds always remained – whatever their other achievements – economically backward affairs, always on the edge of starvation. In discussing this fundamental fact in our earlier chapter, we noted how a skilled building worker from the south of England suffered a lower living standard in 1750 than what his predecessor had experienced 250 years before. It is thus fitting to begin this chapter by returning to the condition of this typical worker to see how this worker fared in the years after 1750. As Fig. 1 indicates, which draws on the Phelps Brown and Hopkins (1956) real wage index, the initial effect of the Industrial Revolution was negative as English society was torn from its agricultural moorings amid rising food prices and a mass relocation of people to the cities. From 1800 onward, however, real wages began an inexorable rise, belying – for the first time in history – Braudel's (1963/1975: 725) observation that the "price of progress" was always "social oppression," a process in which, "Only the poor gained nothing, could hope for nothing."

If we accept the premise that any profound alteration in the material conditions of life requires a change in mental outlook, a consideration of Fig. 1 forces us in the direction of two key propositions. The first of these stems from the observation that the inability of feudal and early modern societies to break through a seemingly fixed economic ceiling suggests the pervasive presence of ideas that hindered

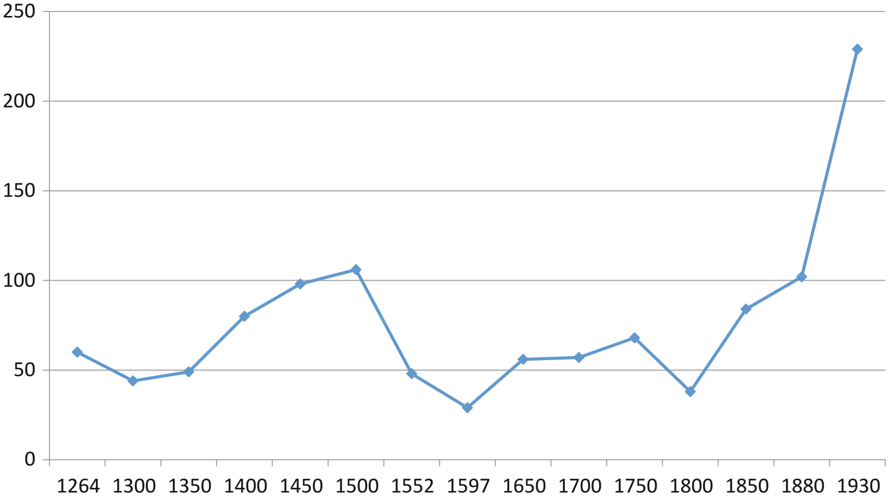

Fig. 1 Real wage of skilled building worker in Southern England, 1264–1930 (1447 = 100). (Source: Phelps Brown and Hopkins: "Seven centuries of . . . builders' wage rates," Appendix B)

scientific inquiry and novel approaches to economic and managerial organization. The second proposition, which is necessarily cojoined to the first, is that the profound transformation that occurred after 1750 could only have occurred if the ideas and belief systems that retarded progress existed alongside ones that favored individual initiative, economic endeavor, and intellectual curiosity.

In exploring the factors that both retarded and advanced intellectual inquiry and scientific discovery, this chapter argues that the period between AD 450 and 1750 can be demarked into three broad epochs (c.AD 450–c.1250, c.1250–c.1600, c.160–c.1750), each of which saw an affirmation of some intellectual premises from the preceding period and a full or partial rejection of others.

The first of these epochs, which was to define Western Europe as a distinct civilization, fundamentally unlike either the societies of antiquity or those found elsewhere in the Old World, was clearly evident by AD 450 and on the wane by 1200. Unlike both preceding and ensuing periods of European history, the ideas which prevailed during this era – and which were literally held with religious force – were associated with a single institution: the Catholic Church. In an increasingly violent and unstable world, the Church and its various subsidiary institutions – most notably the monastic orders – were more than mere fonts of literacy. They also fostered a deeply held love of learning. Many of the Church's founding fathers (St John Chrysostom, St Augustine, St Benedict, Pope Gregory the Great) were educated in the secular schools of rhetoric and philosophy that continued to enrol would-be administrators and philosophers during the fifth and sixth centuries. As the French philosopher, Albert Camus (1935/2007: 62), observed in his study, *Christian Metaphysics and Neoplatonism*, much of Christianity's success is attributable to its ability to "express itself in understandable [Greek and Roman] formulas." The merger of Christian and Greek Neoplatonist thought was most pronounced in St Augustine's theological studies. Like Plato (c.380 BC/2003: 206), who believed that a just society could only be achieved through "the acquisition of knowledge," St Augustine (c.395/2010: 88) argued that, "knowledge is a higher and truer form of life . . .knowledge can never be evil." If, however, Catholic dogma during the so-called Dark Ages (c.AD 450–950) incorporated many of the philosophic understandings of the Late Empire, it also broke with Greek and Roman norms in ways that fostered new approaches to work and managerial organization. Nowhere was this rupture more evident than in attitudes to manual labor. Whereas in the Roman Empire any form of manual labor was perceived to be the degraded domain of slaves, the Christian theologians of the early Church considered physical work to be a form of spiritual fulfilment. As St Benedict (c.AD 516/1931: 22) expressed it in Chap. 48 of his famous Rule, would-be followers of Christ became true disciples when "they live by the work of their hands." Christian belief also differed from the norms that prevailed in antiquity in its emphasis on individual worth, regardless of material circumstances. As an early Church theologian, St John Chrysostom (c.AD 400/1984: 99–100) informed his congregation,

> *I do not despise anyone . . . he is a human being, the living creature for which God cares. Even if he is a slave, I may not despise him; I am not interested in his class, but his virtue.*

If there were elements of Catholic faith that were supportive of new approaches to work, there were also dogmas that made the Church a long-term foe of commercial exchange and nascent forms of capitalism. Nowhere was this more apparent than in the Church's attitude to private wealth. St John Chrysostom (c.AD 398/1848: 382), who served as Archbishop of Constantinople at the dawn of the fifth century, warned his flock that private wealth was nothing more than a "vain shadow, dissolving smoke." In a more overt opposition to the possession of wealth, Pope Gregory the Great (c.AD 599/1959: 268), who laid the foundations for the medieval papacy, recorded how, on finding a deceased monk to be in possession of three gold pieces, he gave instruction to "cast his body into a grave dug in a manure pile." At the pulpit, churchgoers were constantly warned that the hoarding of wealth imperilled their immortal soul. This opposition to private wealth, it needs to be emphasized, does not mean that the Church's founding fathers were nascent socialists, opposed to all forms of social inequality. Nor was the Church, despite its constant emphasis on almsgiving, a champion of the poor in opposition to the powerful. In reflecting on the influence of St John Chrysostom, a theologian who embodied the Church's opposition to material wealth, Wendy Mayer (2009: 109) concludes, "If we are obliged to label him . . . it is more accurate to call him not a champion of the poor, but of poverty." Such observations are applicable to the medieval Church as a whole. Yes, it is true that the medieval monasteries were more than centers of learning and faith. They were also, as a biographer of St Benedict noted, "a great economic factor in the new Europe," places that disseminated the "fundamental arts of civilization" in the form of watermills and efficient agricultural practices (McCann 1937: 100). It is also true, as Kieser (1987), Wirtz (2017), and others have pointed out, that over time, the commercial success of the monasteries – and the donations they received from an admiring public – tended to make them inordinately wealthy. Acquired monastic and church wealth, however, always flew in the face of the principles of faith that guided Catholic Christendom. Accordingly, material success continued to attract public approbation rather than praise. Dante Alighieri (c.1310/2012), for example, in his journey through hell, finds the souls of the "avarice" subject to eternal torment in an inner circle of the damned. Prominent among those these unfortunates are "popes" and "cardinals." "In that lot," Dante Alighieri (c.1310/2012: 31) observed, "avarice displays its worst."

The medieval Church's emphasis on poverty, manual labor, prudence, and almsgivings was, perhaps, well suited on the closed agricultural communities that characterized the European experience between AD 450 and 1250. However, by the time of Europe's thirteenth-century "Commercial Revolution" – associated with new forms of finance, banking, accounting, and a growth in long-distance trade – the dogmas of medieval faith were, to an ever-increasing extent, incompatible with the aspirations of the acquisitive merchant cities of Italy, the Low Countries, the Hanseatic League, and Southern Germany. Reflecting on this tension in his study of Renaissance Italy, Burckhardt (1867/1954: 148) observed that by 1300, there had "appeared a new civilization" which presented itself "as competitor with the whole culture of the Middle Ages, which was essentially clerical." At a popular level, the clearest expression of this "new civilization" was arguably found in Dante's *Divine Comedy*. Written in Italian rather than Latin, Dante's work was not only directed toward a secular audience; it also finds inspiration in the secular wisdom of antiquity. Dante's guide through hell and purgatory is not a Christian saint but rather the Roman poet, Virgil. On meeting Virgil for the first time, Dante acknowledges in glowing terms the inspirational effect of Virgil's writings on his own imagination, declaring "you are that Virgil . . . the light and glory of all poets . . . You are my teacher. You, my lord and law." Far more significant than Dante's musings, however, was the flowering of a unique offshoot of the medieval monastery, the university. Like the medieval monastery, the university was composed of novices and masters who dedicated their lives to learning rather than to the raising of families. Such was the enthusiasm for learning that many sacrificed any prospect of material advancement. As Compayré (1910: 266) recorded, "Great was the number of those who, destitute of all resources, joyfully braved privations, poverty, and the irksomeness of menial service, in order that they might penetrate at last into the sanctuary of knowledge." Despite sharing many commonalities with the medieval monastery, the universities of Paris, Bologna, Cracow, and elsewhere differed in that inquiries were increasing directed outward, at the problems of the secular world. From the outset, municipal authorities – anxious to foster the new centers of learning – guaranteed university staff freedom of speech and protection from persecution, guarantees that made the university "one of the great public forces of the Middle Ages" (Compayré 1910: 287). Within the new halls of learning, the most significant attempt to come to grips with the emerging commercial world was made by St Thomas Aquinas, a figure often described as the Father of Economics. Central to Aquinas' studies was his attempt to redefine or, to be more exact, *define* the concept of economic "value" in a system of market exchanges. Recognizing that the medieval understanding of a "just price" was rendered meaningless due to "the differences of supply," Aquinas (c.1270/1952: Q. 77, Article 2) concluded that, "the price of things saleable does not depend" on their physical nature but rather on their utility or "usefulness to man." Having come to this novel conclusion, St Thomas Aquinas (c.1270/1952: Q. 77, Article 4) proceeded to overturn Church dogma on usury (lending), arguing that money invested in long-distance trade and other ventures could justly claim a share of any profits because "the value of the thing [being traded] has changed with the change of place or time." The ethos of the new commercial world also found cogent expression in the work of another clerical scholar, the Franciscan friar, Luca Pacioli (1494/1994: preface, unpaged), who began his famed study of accounting by noting that a well-set out "accounting manual" was "much needed by businessmen" desirous of exercising "proper internal control" over their transactions.

In large part, the Renaissance (c.1250–c.1600) attempt to intellectually adapt to a growing market economy was framed in terms of the philosophy and principles of secular antiquity. Not only Dante but also Petrarch, Leonardo da Vinci, Michelangelo, and countless others sought, as Burckhardt (1867/1954: 148) noted with only slight exaggeration, "to think" and "to feel, as the ancients thought and felt." Such was the interest in Greek antiquity, Burckhardt (1867/1954: 376–377) continued, that by the 1400s, "All the writings of the Greek philosophers which we ourselves possess were . . . in everybody's hands."

Unfortunately, the attempt to construct a new intellectual edifice – capable of meeting the changing aspirations of an increasingly commercialized economy – brought with it pitfalls as well as promise. Nowhere were the retrograde effects of this tendency more apparent than in the medieval and early modern enthusiasm for Aristotelian philosophy. Although a master of logic, Aristotle's understandings of the natural sciences were profoundly misguided, as were those of his disciples, most particularly the astronomer, Ptolemy of Alexandria. Like Ptolemy (c.AD 160/1984), who used complex mathematical calculations to prove that the earth stood at the center of the universe, Aristotle (c.350 BC/1941: 712) drew a sharp distinction between "theoretical knowledge," or "truth," and "empirical" knowledge. In Aristotle's misguided opinion, "theoretical knowledge" must always give primacy to "the things that are always in the same state and suffer no change," a category within which Aristotle erroneously included "the heavenly bodies." Like Ptolemy (c.AD 160/1984: 35), who advised his readers that "theoretical" knowledge only dealt with "physics, mathematics and theology," Aristotle (c.350 BC/1941: 861) also argued that theology – what he called the "divine science" – was the highest form of knowledge because it "deals with the highest of things."

A number of factors combined to make Aristotelian philosophy a major impediment to economic and intellectual advancement. On the one hand, Aristotle's philosophy appealed to Catholic traditionalists due to its emphasis on an unchanging universe overseen by a divine being. On the other hand, the pseudoscience of

Aristotle and Ptolemy appealed to secular Renaissance scholars because it was rooted in the revered traditions of classical antiquity. It is therefore wrong to argue, as Delanty (2019: 111–112) does, that, "The Renaissance marked the end of the medieval age and the birth of modernity" and that the "Renaissance world" also "produced the Scientific Revolution." Instead, Western European culture in the time of the Renaissance found itself in a halfway house, looking backward rather than forward for intellectual inspiration. To break the Aristotelian straightjacket, with its backward-looking emphasis on antiquity and an unchanging universe, was to require a far more profound rupture than that which demarked the change of intellectual opinion in the thirteenth and fourteenth centuries.

In much of the historical literature, the pride of place in this final intellectual revolution – which laid the groundwork for the Industrial and Managerial Revolutions on the eighteenth and nineteenth centuries – is given to the Protestant Reformation in general and Calvinism in particular. Max Weber, in particular, most forcefully argued the supposed existence of a close and intimate connection between Calvinism and nascent capitalism. In Weber's (1922/1927: 367) opinion, the Calvinist "ethic" was seminal in capitalism's advance because it placed a value on the pursuit of wealth as "a God-given task" (also see Weber 1905/2003). Superficially appealing, Weber's thesis is nevertheless of dubious veracity. One is certainly hard put to establish a direct link between Protestantism and the Scientific Revolution of the seventeenth century. Nicolaus Copernicus, for example, who first challenged the Aristotelian understanding of the cosmos, was a wandering Catholic scholar who boasted a doctorate in Canon law. Galileo Galilei, whose use of telescopes in 1609 provided empirical support for the Copernican conception of the solar system, was also a pious Catholic. As for the effect of Calvinism in the realms of business and management, perhaps the best summation is that provided by R.H. Tawney (1926/1936: 132), who observed in his *Religion and the Rise of Capitalism* that, while Calvinism "had little pity for poverty," it also "distrusted wealth, as it distrusted all influences that distract . . . the soul."

If we are to understand the origins of the Scientific Revolution, and the ways in which it was harnessed by the subsequent Industrial and Managerial Revolutions, we need to look beyond the narrow confines of scientific research to enabling factors in the wider society. That these enabling factors - mechanical innovation, commercial and intellectual interchange, freedom of expression, and protection of property - were vital to scientific research was well recognized by Robert Hooke, whose studies in the realm of microbiology stand alongside those of Isaac Newton in physics in providing foundational principles for modern science. In describing how microscopes opened up "a new visible World to the understanding" – a world in which "every little particle" possessed "almost as great a variety of Creatures, as we were able to reckon up in the whole Universe" – Hooke (1665: preface, unpaged) paid tribute to the mechanics who had made his work possible through the development of "artificial instruments." In the dedication to his *Micrographia: Or Some Physiological Descriptions of Minute Bodies Made by Magnifying Glasses*, Hooke (1665: dedication, unpaged) also linked advances in "experimental learning" to the "calm prosperity" of seventeenth-century English society, a prosperity associated with “the improvement of manufactures and agriculture, the increase of commerce, and advantage of navigation.” Significantly, Hooke looked not only backward to the factors that made his research possible; he also looked forward to the practical application of his endeavors. In doing so, Hooke (1665: preface, unpaged) indicated, he “not only hoped for Inventions to equalize” those of earlier generations. He also anticipated “multitudes” of applications “that may far exceed them.” In Hooke, as with Newton, we can see not only an individual scientist but also a whole civilization at the cusp of two worlds. Hooke’s discoveries were possible because he belonged to a society that, as Cipolla (1981: 182) observed, had “an irresistible taste for mechanical achievements,” an outlook that had its roots in the ethos of medieval society with its emphasis on the dignity of work. Hooke’s research had meaning because, as he was aware, he lived in a society intent on “the improvement of manufactures and agriculture.”

The Catholic Legacy: Work, Innovation, and Poverty, c.AD 450–c.1250

In his *A History of Civilizations*, Braudel (1987/1993: 23) observed that by comparison with other cultures for whom religion remains seminal, “the West seems forgetful of its Christian sources.” Yet, despite this, Braudel (1987/1993: 23) continues, “Ethical rules, attitudes to life and death, the concept of work, the value of effort . . . all derive from it.”

While there is merit in Braudel’s observation, it is also the case that for more than a millennia, the ethos, culture, and modes of action in Western Europe were dominated by one peculiar form of Christianity: Catholicism. The Catholic Church, it must be emphasized, was never an unchanging monolith. Within the Church, the various monastic orders always enjoyed a semiautonomous existence. Papal control over its various national wings (i.e., France, Germany, etc.) waxed and waned. The mendicant or teaching orders that become an integral part of religious life in the High Middle Ages (i.e., Dominicans, Franciscans, Augustinians) only emerged during the course of the thirteenth century. Despite this organizational flux, the Church nevertheless remained constant in the values it embodied and the dogma it preached. Moreover, although Catholicism shared commonalities with other strands of Christianity (i.e., Arianism, Greek Orthodoxy, Nestorian dyophysitism, etc.), it also differed from them in being an historical product of a peculiar moment in Western European history, a period which saw the gradual eclipse of Roman traditions and institutions in the wake of the great Germanic *Volkerwanderung* of the fifth century. From this experience, three distinct strands or influences can be discerned.

The first of these strands, common to all Christian denominations, is found in the conditions of life that characterized Palestine during the time of the New Testament. By comparison with other parts of the Roman Empire (Italy, North

Africa, Syria), Palestine was comparatively poor, its citizens typically eking an existence from small-scale farming, herding, and fishing. As even the most cursory reading of the New Testament indicates, frugality – if not abject poverty – was the societal norm. The New Testament emphasis on thrift, self-denial, and assistance of one's neighbor is most pronounced in St Luke's *Acts of the Apostles*, which records the practices of the first Christian communities after the crucifixion. Among the "whole group of believers," Luke (c.AD 70/1985: 4: 32–35) stated:

> *. . . no one claimed private ownership of any possessions, as everything they owned was held in common . . . None of their members was ever in want, as all those who owned land or houses would sell them, and bring the money from the sale of them to present to the apostles; it was then distributed to any who might be in need.*

The asceticism of the early Christian communities also manifested itself in the prevalence of hermits and monks who sought to demonstrate their piety by retreating into caves, deserts, and mountaintops. In these locales, each of these ascetics seemed intent on outdoing the feats of John the Baptist, a figure who is described in the New Testament as wearing only a loincloth and "a garment made of camel-hair" while living on nothing but "locusts and wild honey" (St Mathew, c.AD 65/1985: 3: 4–5). Among the early Church theologian, the foremost advocate of frugality, even asceticism, was St John Chrysostom, whose study *On Wealth and Poverty* had a profound influence on both the Catholic and Orthodox versions of Christianity. To please God, Chrysostom (c.AD 400/1984: 76–77) warned, "it is absolutely necessary" to live "a laborious life, groaning with much toil and sweat." St John Chrysostom had a particular distrust of monetary wealth, believing such forms of prosperity were only legitimated when the wealthy freely lent of their money to the poor, a viewpoint that made Chrysostom – and subsequently the Catholic Church as a whole – a vigorous opponent of usury, i.e., the lending of money for profit. "For our money is the Lord's, however we may have gathered it," Chrysostom (c.AD 400/1984: 49–50) advised the faithful, adding: "This is why God allowed you to have more . . . to distribute to those in need."

If the asceticism of the Catholic Church, and its abiding distrust of monetarized wealth, was rooted in the poverty of Palestine at the time of the New Testament, a second formative strand – which saw the Church come to an accommodation with the dominant, Neoplatonist philosophies of the Late Empire – came from the other end of the socioeconomic spectrum. For the new Christian faith could never have succeeded unless it appealed to elite opinion, speaking to the graduates of the secular schools of rhetoric and philosophy in terms which they understood. No one was more successful in mediating this process of accommodation than St Augustine. Indeed, it is arguable that the Catholic dogma that prevailed in Western Europe from the fifth century owed as much to St Augustine as it did to the New Testament. Evidence of St Augustine's profound effect on Western intellectual thought is found in the fact that even the revolutionary Protestant theologian, John Calvin, who repudiated most Catholic dogma, framed his thinking in an

Augustinian framework, declaring "I am teaching no novel doctrine, but what was long ago advanced by Augustine" (Calvin 1536/2014: 345). A North African scholar who, prior to his comparatively late conversion to Christianity, taught rhetoric in Milan, St Augustine's novel framing of Christian faith was laid out in three principal texts: *The Free Choice of the Will* (c.AD 395), *Confessions* (c.AD 400), and *The City of God* (c.AD 430). In the first of these works, and in Chap. X of *Confessions*, St Augustine argued philosophic premises that owed as much to Plato as they did to Christ. Like Plato, and unlike Aristotle, St Augustine (c.AD 400/2007: 153–157) believed that perception was based not on "the things themselves" but rather mental "images" generated by the objects of our senses. Like Plato, who believed that only study and knowledge brought one to truth, St Augustine (c.AD 395/2010: 73) argued, "it is altogether impossible to learn things evil." Like Plato (c.380 BC/2003: 236), who recorded that only an educated elite was capable of true knowledge, St Augustine (c.AD 395/2010: 141) wrote that "few men are capable of wisdom." Where St Augustine transcended Plato was in arguing that only God's grace allowed the student a full knowledge of truth. "For there is nothing so obscure and difficult that cannot, with God's help," St Augustine (c.AD 395/2010: 83) advised, "become perfectly easy clear and easy." Collectively, St Augustine's works not only legitimated the Church's sought-after place as the inheritor of antiquity's entire body of knowledge; it also made the Church the only portal through which knowledge could properly be acquired. St Augustine's insistence that the Church was the secular as well as spiritual successor of imperial Rome was reinforced in his final major work, *The City of God*, where he declared that the "most glorious society" was the "city of God's faithful," a transnational society of believers (St Augustine, c.AD 430/1945: 1).

Whereas St Augustine couched the second strand of Catholic faith in terms of reason, knowledge, and classical philosophy, the final strand – centered on spiritual mysticism and belief in a myriad of saints – was grounded in millennialism, a profound sense that the known material world was on the edge of destruction. By the sixth century, there was, admittedly, objective reason for fearing the end was nigh. Writing in the aftermath of the devastating Lombard invasions, Pope Gregory the Great (c.AD 559/1959: 186), for example, painted the bleakest of pictures, recording in his *Dialogues* how,

> *The population of Italy, which had grown vast, like a rich harvest of grain, was cut down to wither away. Cities were sacked, fortifications overthrown, churches burned, monasteries and cloisters destroyed. Farms were abandoned, and the countryside, uncultivated, became a wilderness. The land was no longer occupied by its owners, and wild beasts roamed the fields where so many people had once made their homes.*

In a land that had once boasted the likes of Cicero, Virgil, and Livy – and where people had previously placed their faith in Roman law – people now regularly claimed to walk alongside saints, risen from the dead. Societal belief in visions and saints, it needs to be emphasized, was more than mere folk lore. It was made an article of faith by the Papacy. In explaining the purposes of his *Dialogues*, for example, Pope Gregory the Great (c.AD 559/1959: vi) declared that, “He wanted them [the people] to realize that they were living in a land of saints and that great miracles were as numerous among the Fathers of Italy as they had been among the Fathers of the Desert.” What brought the saints and other divine beings into the material world, Pope Gregory argued, was a merging of the spiritual and material worlds as the existence of the latter ebbed away. “For,” Pope Gregory (c.AD 559/1959: 251) explained, “as the present world approaches its end, the world of eternity looms nearer, manifesting itself by ever clearer signs . . . In this way the end of the world merges with the beginnings of eternal life.”

In summing up the ethos of the Catholic Church, we can thus discern an emphasis on work but a hostility to monetarized wealth, sitting alongside a claim that the Church was not only the sole legitimate source of knowledge but also a portal to a world of saints and spirits. At one level, this ethos was not only outward looking but transnational, claiming the allegiance of people whatever their social status, gender, or ethnicity. In doing so, it created a common Western European culture of “Christendom” that did much to facilitate exchanges of not only ideas but also of goods, technologies, business practices, and people. Consequently, a traveler going about their business in Medieval Europe, “felt as much at home in Lübeck as in Paris, in London as in Bruges, in Cologne as in Burgos, Milan or Venice. Moral, religious and cultural values . . .were the same everywhere” (Braudel 1987/1993: 315). At another level, however, the dogma espoused by the Church was not only inward looking but also inherently conservative, valuing the past rather than a problematic material future. Admittedly, there was always a gap between Church dogma and practice, a gap that was most pronounced in the Church’s attitude toward wealth, where an all too obvious hypocrisy often prevailed. As we noted in our earlier ▶ Chap. 8, “Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds,” by the fourth century, the Church was “amongst the greatest” of “landlords,” controlling swathes of countryside and armies of serfs (Stevens 1941/1966: 122). In medieval society, everyone, rich and poor alike, was forced to surrender 10% of their income to the Church. Among the construction projects of the medieval world, there was nothing to equal the great Gothic cathedrals. Yet, as we discussed in the introduction to this chapter, clerical displays of wealth almost always provoked condemnation rather than admiration precisely because they flew in the face of the Church’s fundamental principles. The organizational result of this conflict between principle and practice was a sad cycle of reform and decay, in which new religious orders (Cistercians, Franciscans, etc.) were built on a promised return to foundational principles (i.e., poverty, self-denial, manual labor) only to suffer the same problems as their predecessors.

Nowhere was the tension between work and wealth, between spirituality and worldliness, more pronounced than in the Catholic monasteries, institutions where “the puritan work ethic created by the monks led to the accumulation of immense wealth” (Kieser 1987: 103). This tension was central not only to the fate of the Church but also the economic advancement of Western Europe as a whole. "Because of their rational organization," Kieser (1987: 113) maintains, "Benedictine monasteries attained more than their secular counterparts . . . not only in management, production, and architectural methods, but also in agricultural skills, e.g. the art of planning orchards and improving fruit trees through grafting, breeding of livestock, wine and beer-making." In the thirteenth century, it was the Cistercian monasteries, built around a return to St Benedict's original Rule, that moved to the fore, becoming European leaders in metal smelting, in glass production, and in the use of windmills (Kieser 1987: 118). Between the ninth and thirteenth centuries, moreover, it was the monasteries who were at the forefront of what has been called a "massive operation of internal [European] colonization" (Braudel 1986/1990: 138), bringing land that had reverted to forests and swamps back into cultivation. Belying the Church's patriarchal hierarchy, female monasteries figured prominently in this process of internal colonization, Graetzer and Rost (2015: 23) estimating that they made up almost 30% of the Catholic total. The organizational principles espoused by the monasteries also acted as an inspiration for the emerging state bureaucracies, "training bureaucrats and providing a model of dedicated service" (Wirtz 2017: 260). So significant were monasteries in the economic and managerial reconstruction of Western Europe that Braudel (1986/1990: 114) declared "the abbeys in their forest clearings" to be the most significant institutions of the age, far more important "than the palaces or villas of the kings."

Central to the success of the monastic movement was an emphasis on the nobility of manual labor and a disdain for a life of leisure, St Benedict's (c.516/1931: 22) famed Rule warning would-be monks that "Idleness is inimical to the soul." The Benedictine Rule, however, differed from earlier monastic movements in eschewing extreme acts of ascetic self-denial. In the Prologue to the Rule, St Benedict (c.516/1931: 2) advised readers that "the institution" which he had established would avoid practices that were either "harsh" or "burdensome." Accordingly, St Benedict (c.516/1931: 22) recommended that, "To weak and delicate brethren let there be assigned such suitable occupation and duties that they be neither overcome of idleness nor so oppressed by exhaustion through work that they be driven to flight." Rationality and thoughtful care also characterized the Benedictine relationship with the communities within which the monasteries were located, St Benedict's Rule (c.516/1931: 17, 24) requiring the provision of sustenance to local children, the poor, and any wandering traveler. The Benedictine Rule also required monasteries to act as centers of literacy and learning. In the winter months, between October and Easter, when there was little agricultural work to be done, monks were instructed to spend their spare time in reading and writing (St Benedict, c.516/1931: 22). Among the skills in which the Benedictine monasteries became master, none was arguably more significant for the future of Western civilization than their use of a revolutionary new form of manuscript, the Codex book. By locating bound pages within a solid, rectangular cover, the Codex "book" was not only more durable than papyrus scrolls; it also allowed the bringing together of the hitherto disparate sections of a textual source. Prior to the late fourth century, for example, there was no such thing as the "Bible" or the

"New Testament" as we understand it. The Christian enthusiasm for the new form of manuscript reproduction thus represented a turning point in not only European but human intellectual potential, bringing the written word before ever larger populations (Vessey 2007).

If the religiously inspired practices of the early medieval world provided a platform for subsequent economic and managerial advancement, the underlying societal ethos nevertheless remained distrustful of business endeavors undertaken for private monetary gain. Central to medieval economic practices was the concept of a socially acceptable "just price," the Church regarding as sinful any price fixed at a higher level. St Benedict (c.AD 516/1931: 25–26), for example, warned monks against "the evil of avarice . . . in the matter of the prices charged for the goods." Enforced by clerical rule within the monasteries, the concept of a "just price" also legitimated the restrictive behavior of the various craft guilds outside the cloistered walls. Although in theory the enforcement of a "just price" benefited the poor, in practice, it had the reverse effect, trapping society in an endless cycle of poverty through its restrictions on market mechanisms that may have favored innovation and competition. As the great Belgium historian, Henri Pirenne (1936: 186) observed, the long-term effect of guild regulation and the concept of a "just price" was "the destruction of all initiative. No one was permitted to harm others by methods which enabled him to produce more quickly and more cheaply than they. Technical progress took on the appearance of "disloyalty."

In the final analysis, the intellectual and institutional success of the Catholic Church during the medieval period rested on the fact that it spoke to a society in which abject poverty was the norm, a condition that the Church, instead of remedying, cloaked in spiritual legitimacy. Yes, it is true, that the Church constantly chided the rich, emphasizing the sanctity of almsgiving and warning against frivolous displays of prosperity. But the Church also cautioned the poor against complaint as to their social condition, St John Chrysostom (c.AD 400/1984: 39) counselling in his highly influential, *On Wealth and Poverty*, "what pardon [from God] will the poor have who grumble and complain because they beg for a living" when biblical figures had suffered even graver injustices. Acceptance of one's lot was, in short, the best course, rather than business or managerial efforts aimed at rectification.

A Calculative Mentality? Western Europe at the Crossroads, c.1250–1600

Writing of "the great [economic] take-off of the twelfth century," the accounting historians, Hoskin and Macve (1986: 109), argued that the High Middle Ages witnessed the emergence of "a new knowledge elite" possessed of a revolutionary "calculative" mentality. In their view, the primary drivers of this new mental outlook were "the nascent universities" which emerged out of Catholic Church's monastic system. By training both clerical and secular bureaucrats in new auditing and accounting techniques, the Foucauldian-inspired Hoskin and Macve (1986: 112) contend, universities permeated society with a new "discourse of control." Hoskin and Macve's contention that new accounting and auditing practices first emerged in the universities – before ultimately flowing through to the world of business – flies in the face of traditional wisdom. Burckhardt (1867/1954: 51, 57), for example, in his study of Renaissance Italy, indicated that it was Venice – the city "where the business of the world" was transacted – which had the preeminent "claim to be the birthplace of statistical science" and modern methods of accounting. Pirenne (1925/1952: 86) came to similar conclusions, noting that: "No scruple had any weight with the Venetians. Their religion was a religion of business men." Certainly, if we look to Pacioli's famed text on accounting, the evidence strongly suggests that the new calculative mentality flowed from the world of business to the university, rather than the other way around, Pacioli (1494/1994: 2) informing his readers that, "This book describes the accounting system used in Venice."

Whether the new "calculative mentality" flowed from the university system to business or (more likely) in the reverse direction, two things are nevertheless clear: first, that among a significant section of *elite* opinion the old clerical prohibitions on usury, finance, and other associated forms of commercial endeavor lost favor, and, second, that even as rational secularism gained favor among some, large swathes of the populace found themselves attracted to new Protestant forms of religious faith. What is less clear is the extent to which secularism and a "calculative mentality" pervaded the society as a whole, creating intellectual conditions more favorable to business and managerial innovation.

It is the *Divine Comedy*, in which Dante Alighieri is guided through the perils of hell and paradise by the Latin secular poet, Virgil, which perhaps best captures this tension between Renaissance religious faith and a newfound secular humanism. A striking indication of the ways in which long-distance commerce broadened the European mind is found in Dante's Alighieri (c.1310/2012: 19–20) description of a netherworld beyond the edges of hell, a place of "bright enameled green" and "verdant lawn" inhabited not only by the great poets of antiquity (Virgil, Homer, Ovid, Lucan). Also found among this illustrious company were the Muslim scholars Avicenna and Averroes and the warrior-sultan, Saladin. For previous generations, any goodwill toward such Muslim luminaries would have been unthinkable. At the same time, as we noted in the introduction to this chapter, Dante retained the Catholic distrust of moneymaking, placing the "avarice" in one of the inner circles of hell. The same tension between faith and the new secular world is also evident in the writings of Girolamo Savonarola (1452–1498), the Dominican friar who forged a democratic Florentine republic between 1494 and 1498 amid numerous "bonfires of the vanities" (i.e., public burnings of luxuries). Constantly in Savonarola we find an appeal to the benefits of business investment. Through "the government" of Florence "being a good one," Savonarola (1495/2006: 203) wrote in his *Treatise on the Rule and Government of the City of Florence*, "wealth will abound . . . because God gives the greatest reward to those who govern their cities well." Prefiguring the work of Thomas Hobbes, John Locke, and Jean-Jacques Rousseau, Savonarola (1495/2006: 179) also called for the restraint of arbitrary power, declaring that "government is bad which forsakes the common good ... such a government is called tyranny." Yet, despite this embrace of constitutional principles, Savonarola also preached a message favoring frugality and asceticism that was little different to that previously advocated by St John Chrysostom. Although "it is not evil to have property and honours," Savonarola (1494a/2006: 145) warned his flock, unless they let "go of possessions," surrendering "them to the poor," they would "die like dogs." Such views, it must be emphasized, were not those of an inconsequential friar. Rather they were ones embraced, for a time, by a majority of Renaissance Florence's population.

In the university sector as well, we see a similar tussle between ideas associated with the new commercial forces and religious faith, the university becoming a pulpit for genuine debate, one observer noting the academic tendency "to talk about everything, discuss everything, intervene in everything" (Colville, cited Compayré 1910: 290).

Among the theologians who dominated intellectual life in the new universities, the most significant attempt to bring about an accommodation of Catholic faith with the new worlds of business and commerce was made, as we noted in our introduction, by St Thomas Aquinas (1225–1274), a Dominican friar who both studied and taught at the University of Paris. Although Aquinas published on a vast range of topics (theology, law, philosophy, science) – my copy of his *Summa Theologica* running to 9453 pages – it is his reflections on the relationship between markets, prices, value, and investment which had the most profound effect on the future directions of Western business and management. In undertaking these explorations in the midst of the "Commercial Revolution" of the thirteenth century, St Thomas Aquinas confronted two questions that were fundamental to the business communities of his time, namely:

1. "Whether it is lawful to sell a thing for more than its worth?" (St Thomas Aquinas, c.1270/1952, Q. 77, Article 1)
2. "Whether it is lawful to ask for any ... consideration for money lent?" (St Thomas Aquinas, c.1270/1952, Q. 78, Article 2)

In responding to the first of these questions – which the Church had previously answered with a resounding "no" – Aquinas quickly shifted the debate from theology and law to economic value, a disciplinary area which he effectively pioneered. In doing so, as we noted in the introduction to this chapter, Aquinas (c.1270/1952, Q. 77, Article 2) emphasized a revolutionary point: that in an economy built on market exchanges, the value of "salable (sic) commodities" will "be different in different places, on account of the differences of supply." From this insight, Aquinas drew an even more radical conclusion. The "value" of any good, Aquinas (c.1270/1952, Q. 77, Article 2, Article 4) recorded, reflected its utility or "usefulness," goods typically selling for a higher sum than their initial purchase price "either because he [the initial buyer] has bettered the thing, or because of the value of the thing has changed with the change of place or time." In other words, if one purchased grain when it was plentiful, stored it, and then sold it at a time when grain was scarce, one could justly, rather than sinfully, demand a higher price. If St Thomas Aquinas' responses to the first question noted above legitimated most forms of commercial trading, his response to the second question also had the practical effect of legitimating commercial lending, finance, and investment – activities hitherto regarded as crafts of the devil. For while Aquinas continued to regard the charging of interest on loans directed toward private consumption (i.e., giving a neighbor a short-term loan to buy food) to be usury, and thus sinful, he came to a different conclusion in the far more important realm of commercial or investment loans. For the person who "entrusts his money to a merchant or a craftsman so as to form a kind of society," Aquinas (c.1270/1952, Q. 78, Article 2) recorded:

> *. . . does not transfer the ownership of his money to them, for it remains his, so that at his risk the merchant speculates with it, or the craftsman used it for his craft, and consequently he may lawfully demand as something belonging to him, part of the profits derived from his money.*

In comparison with the economic reflections of St Thomas Aquinas, which were directly germane to the business problems of his time, the intellectual influence of another French-trained academic, John Calvin (1509–1564), is far more problematic. The difficulties in assessing Calvin's influence on managerial and management thought, it must be noted, are less attributable to Calvin himself than to the historical claims made on his behalf, in which Calvin is transformed from a deeply religious reformer into a herald of a new individualistic strain of capitalism. The association of Calvin, Calvinism, and capitalism is one that owes much to the so-called Weber-Tawney thesis. According to Weber (1922/1927: 367), the German sociologist, Calvinism not only legitimated a ruthless pursuit of wealth; it also excused a "ruthless exploitation" of workers in the pursuit of "eternal salvation." Similarly, for the English historian, Richard Tawney (1926/1936: 94), Calvin "accepted the main institutions of a commercial civilization, and supplied a creed to the classes which were to dominate the [capitalist] future." In fact, Calvin was only tangentially concerned with the problems of the business world. In Calvin's main body of work, the massive two-volume *Institutes of the Christian Religion*, there is no mention of either "usury" or "lending." Where he did venture into commentary on profane business affairs, his tone was cautious. In introducing his brief study *De Usuris* (*On Usury*), for example, Calvin advises the reader, that "I have learnt by the example of others how perilous it is give a reply to the question [of usury]" (cited Wykes 2003: 42). Admittedly, his eventual tentative conclusion that "there is no witness of scripture by which all usury is totally forbidden" (cited Wykes 2003: 42) did have the *practical* effect of legitimating all forms of lending. This finding, however, hardly amounted to a ringing endorsement of capitalist lending practices. Its practical effects were, moreover, arguably less significant than St Thomas Aquinas' earlier endorsement of commercial lending and investment. Yes, it is true that Calvin's (1536/2014: 629) belief that God's "elect" received "unequivocal tokens" of their esteemed status from God – in the form of “strength,” “fortitude,” and “wealth” – no doubt gave his followers a sense that their material success reflected divine providence. This, however, was hardly a novel idea. Savonarola (1494b/2006: 156) expressed similar views, advising his followers that, “one who is in God’s grace has the sign of being among His elect.” St Augustine (c.395/2010: 235) also preached about the predestined grace of God’s Elect even as he emphasized the centrality of human free will.

Although most of the claimed linkages between Calvinism and capitalism are built upon simplification and overstatement, it is nevertheless evident that Calvin’s theological dogma had profound implications for the future of Western business and management. Unlike Martin Luther, who continued many of the institutional practices of Catholicism in his version of Protestantism (although not monasticism), Calvin and his supporters professed a version of Christianity shorn of its traditional bureaucratic and material forms. In Calvin’s view, a “church” was simply a community of believers. Any “veneration” of “houses and buildings” was therefore “misplaced,” given “that the Church may exist without visible form” (Calvin 1536/2014: 31–32). Despite the zeal with which Calvin approached his tasks, the Calvinist conception of a “Church” inevitably produced an expansion of secular institutions (courts, schools, charities) at the expense of religious ones. Nowhere was this shift more evident than in attitudes toward the sick, the widowed, and the poor. Whereas Catholic faith had always tied individual redemption to almsgiving and “good works,” Calvin viewed such activities as meaningless for one’s salvation. Instead, Calvin (1536/2014: 350) argued, those destined for eternal paradise “were elected before the creation of the world.” If we are thus to sum up the positive implications for Calvinism, and Protestantism more generally, for business and management practices, we need to see it primarily in terms of a process of Schumpeterian “creative destruction.” The schism that Calvin and other Protestant leaders created within Christendom permanently destroyed the Catholic Church’s claim to be the sole legitimate source of knowledge. In doing so, they created space for not only freedom of religious conscious but also greater intellectual diversity. By shearing away the charitable and monastic institutions that were an integral part of Catholic Christendom, the new Protestant faiths also fostered a more individualistic orientation. Whether or not the Dutch trader of the sixteenth century was a more calculating and ruthless business operative than their Venetian counterpart must, however, remain a moot point.

If, in the economic analysis of St Thomas Aquinas and the theology of John Calvin, the new university system produced studies that had a profound effect on the future course of Western business endeavor, we should, nevertheless, not exaggerate the alteration in either the human condition or the overall intellectual climate. Prior to the invention of Gutenberg’s printing press in 1452, there were few books. In Renaissance Italy, only 9% of the population was literate in 1500. The English literacy rate was even lower at 6% (Allen 2003: 415). Improvements in real wages owed more to the labor shortages induced by the winnowing of the Black Death (1347–1350) that to any gains in productive efficiency. Amid plagues, famines, and war, many retained a sense that the end of the world was nigh. Across Europe, population and economic growth stagnated.

According to Josiah Russell's estimates (1948: Table 7.2), the population of England in 1603 (3.78 million) was little different to that found in 1348 immediately prior to the plague's arrival (3.76 million). Of the rural experience that still shaped the lives of an overwhelming majority, Bloch (1940/1962: 72) observed, "wolves prowled in every wilderness . . . behind all social experience there was a background of the primitive, of submission to uncontrollable forces, of unrelieved physical constraints."

In this still economically primitive world, it is hardly surprising that a medieval mind-set – which saw both the cosmos and the human condition in unchanging terms – coexisted alongside novel and even revolutionary understandings of new commercial world.

Often this coexistence of medieval and remarkably modern ideas existed within the same individual. Savonarola, as we have noted, embraced laws favoring business investment even as he burnt the priceless art treasures acquired through Florentine business success. The same Janus-like tendencies are also evident in St Thomas Aquinas, arguably the most brilliant mind of the late medieval period. While his understandings of economic value and utility justify his status as the Father of Economics, St Thomas Aquinas was also largely responsible for the late medieval and Renaissance enthusiasm for Aristotelian philosophy, an enthusiasm that hindered rather than enhanced intellectual and economic advancement.

Significantly, the late medieval embrace of Aristotelian philosophy represented a major intellectual rupture within Western Christendom, overturning the Augustinian marrying of Christianity and Neoplatonist ideas, a marrying which had been a seminal feature of the early Catholic Church. In terms of its understanding of the cosmos, this earlier Neoplatonist/Augustinian amalgam emphasized a more ephemeral and idealist view of heaven and earth than did its Aristotelian rival, St Augustine (c.AD 400/2007: 219) referring to the "formlessness of which heaven and earth were made." By contrast, Aristotelian philosophy had a far more definitive view of the cosmos due to Ptolemy of Alexandria's observations and calculations. Long lost, Ptolemy's *Almagest* began to again circulate in Europe following the translation in Spain of an Arabic copy, quickly surpassing "any scientific work except Euclid's *Elements*" in terms of its influence (Toomer 1984: 2). According to Ptolemy's (c.AD 160/1984) complex (and impressive) calculations, the universe comprised a series of spheres revolving around the earth, an inner sphere containing the sun and the planets, and an outer sphere containing the "fixed" stars. Admittedly, Ptolemy (c.AD 160/1984: 45) did consider the possibility that the heaven's observed motions were due to the earth's rotation, conceding that there was "nothing in the celestial phenomena which would count against the hypothesis." However, he immediately dismissed "such a notion" as "ridiculous" due to the fact that if the earth did revolve, it would have to do so at a speed which would cause it to constantly "outrun and overtake" the "clouds" (Ptolemy, c.AD 160/1984: 44).

Ptolemy's views on the cosmos became integral to late medieval and Renaissance understandings due to their becoming – along with other elements of Aristotelian philosophy and science – entrenched in Catholic dogma. In foolhardily pursuing this course of action – in which Catholic and Aristotelian credibility became intertwined – the Church caused "many things," as St Thomas Aquinas (c.1270/1952, Q. 32, Article 4) recorded, to be "considered as heretical which were not formerly so considered." That this unfortunate situation prevailed, in which any would-be opponent of Aristotelian science was threatened with execution as a heretic, is in large part attributable to St Thomas Aquinas himself. Indeed, it is largely through Aquinas' commentaries that Aristotle's works – which also began arriving from Muslim Spain in the twelfth century – became a foundation stone of medieval and Renaissance thought, Aquinas (c.1270/1952, Q. 1, Article 1) beginning his *Summa Theologica* with the argument that it was Aristotle who "proved" that "theology" was "the divine science." Indeed, so heavily did Aquinas rely on Aristotle – his works being full of references to Aristotle as "the Philosopher" – that one leading theologian, Servais Pinckaers (1995: 168) has questioned whether Aquinas' work was primarily Aristotelian rather than Christian.

That clerically endorsed Aristotelian philosophy was a barrier to further scientific advance was demonstrated in the condemnation as heretical of Nicholas Copernicus pioneering study, *De Revolutionibus* (*On the Revolutions*), a study which placed the sun at the center of the solar system. Despite the iconic status enjoyed by this work today, its initial impact was almost nonexistent, Donald Kobe (1998: 190) observing that the intellectual climate "remained dominated by Aristotelian philosophy and the corresponding Ptolemaic astronomy." The muted response to the enunciation of the Copernican system of the cosmos reflected more than clerical opposition. It was also the case, as Kobe (1998: 190) noted, that there was simply "no reason to accept the Copernican theory." As Ptolemy had correctly concluded, any suggestion that the earth was not located at the center of the solar system flew in the face of the empirical observations of the time. Sixteenth-century Europe lacked the array of scientific instruments (telescopes, microscopes, accurate mechanical clocks, etc.) that became commonplace in the ensuing century. Nor was there a wide body of educated secular opinion interested in pursuing heretical scientific theses. Universities in Protestant as well as Catholic Europe were dominated by theologians, Martin Luther proving as hostile to Copernican ideas as any of his Catholic enemies (Kobe 1998: 194).

Despite the hostility with which Copernicus' *De Revolutionibus* was greeted, its publication nevertheless stands as a landmark event in human history, heralding not only a new way of looking at the cosmos but also new principles for research. For in the preface to his book, Copernicus (1541/2008: 4) suggested that every "philosopher" should "endeavor to seek the truth in all things, to the extent permitted to human reason by God." Having made "human reason" the effective judge of every problem, Copernicus (1541/2008: 5) then argued that belief should always be based on hypotheses supported by empirical evidence. "For if the hypotheses," Copernicus (1541/2008: 5) explained, are "not false, everything which follows" from the hypotheses "would be confirmed beyond doubt." In pursuing these principles, Copernicus himself made major errors. For while he correctly believed that the planets orbited the sun, Copernicus (1541/2008: 24) also erroneously believed that beyond planets, there existed a zone of "immovable stars." Such errors of fact are, however, inconsequential when compared to the research principles – based around the scientific testing of hypotheses – upon which they were based.

The strengths and limitations of the intellectual world of the European Renaissance are also indicated in another foundational text, Niccolo Machiavelli's *The Prince*, a work that revolutionized understandings of statecraft and political science. At many levels, Machiavelli's analysis seems to embody the modern, rational approach to political and economic affairs. Like his Florentine contemporary, Savonarola, Machiavelli displayed an unusual awareness of the importance of private business endeavor in societal success. As Machiavelli (1532/2011: 90) expressed it, kingdoms or republics would not prosper unless they reassured their subjects that they could "go calmly about their business . . . without worrying that if they increase their wealth they'll be in danger of having it taken away from them, or that if they start up a business they'll be punitively taxed." Yet, despite such insights, Machiavelli's understanding of power was essentially feudal, perceiving organized violence – rather than economic success – to be the hallmark feature of a successful state. For, in Machiavelli's (1532/2011: 57) opinion, "A ruler . . . must have no other aim or consideration, nor seek to develop any other vocation outside war, the organization of the army and military discipline." For the fractious societies of Renaissance Italy, this was the worst possible advice, contributing in some measure to the ruinous wars and internal conflicts that helped reduce Italy from the status of economic leader to laggard. Burckhardt (1867/1954: 390), in his study of Renaissance Italy, also seemed blind to the reasons behind the society's declining fortunes during the sixteenth and seventeenth century, attributing Italy's fall from grace to "foreign invasions and the Counter-Reformation." In fact, Italy, the wonder of Europe in the fifteenth century, lost its way primarily because it fell behind the societies of Northwest Europe in terms of technological, scientific, and managerial innovation. In consequence, as Robert Allen (2003: 412) records, "English and Dutch exports drove Italian producers out of business."

Society and the Scientific Revolution, c.1600–c.1750

In his greatest work, *Leviathan*, the English political philosopher, Thomas Hobbes (1651/2002: 40) drew, for the first time, a distinction between the natural and social sciences, or what he called "politics and civic philosophy." For Hobbes, it was a self-evident truth that advancement in one of these domains was conditional on progress in the other. It was also obvious to Hobbes that neither could advance unless there was a conducive environment for commerce, industry, innovation, and investment. Key to the creation of this conducive environment, Hobbes argued, was the legal guarantee of property rights and individual liberty, a guarantee that necessarily required a constitutional restraint of princely authority. For, Hobbes (1651/2002: 62) continued, without "such conditions there is no place for industry, because the fruit thereof is uncertain; and consequently no culture . . . no knowledge of the face of the earth; no account of time; no arts; no letters." And, without these attributes of industry and civilization, Hobbes (1651/2002: 62) famously concluded, human life was invariably "solitary, poor, nasty, brutish, and short."

It is the confluence of these factors – scientific progress, political protections of property and person, and advancement of industry and commerce – that distinguished the 1600–1750 era from the two previous periods discussed in this chapter. The collective result was a transformation of both the context in which scientific research occurred and in the resources available to inquiry and experimentation. This transformation was highlighted in the account of the visit by the English traveler, Arthur Young, to the Parisian household of Antoine and Anne-Marie Lavoisier in the late eighteenth century. In one part of the household, Young (1792/1909: 95) found the "splendid machine" in which the Lavoisiers, in a pioneering study, had measured the amount of oxygen consumed in the process of combustion. Elsewhere in the Lavoisier abode, Young (1792/1909: 95) found "an electrical apparatus" used for "electrical experiments."

The lauding of the Lavoisiers for their scientific curiosity is a pointer to the profound alteration in social attitudes that had occurred since the time of Copernicus. Nevertheless, despite this generalized interest in scientific experimentation – evident across Western Europe and North America – it was only in England that we witness a society where science informed managerial practice in an economically significant way. As Young discovered in his journey across France, the landlords and peasants of the French nation remained ignorant of the most recent advances in agricultural practices, and in patterns of crop rotation, that were commonplace across the Channel. In Northern France, a comparatively prosperous area, Young (1792/1909: 19) observed that, "the fields are scenes of pitiable management, as the houses are of misery." For the French philosopher, Voltaire, the contrast between the French and English countryside was also stark. Whereas France allowed smallpox to exact a heavy toll on its peasantry, England vaccinated its young (Voltaire 1734/2002: 35). Moreover, Voltaire (1734/2002: 33) added in amazement after visiting rural England for the first time: "The feet of the peasants" were "not bruised by wooden shoes; they eat white bread." The comparative backwardness of French society was something even the Lavoisiers were willing to concede, Anne-Marie Lavoisier advising Young of the "general [technological] inferiority" of France (Young 1792/1909: 95). Even the "splendid machine" with which the Lavoisiers carried out their experiments on the combustion of oxygen was English made, Young (1792/1909: 95) observing that, "It is well known that we [the English] have a considerable exportation of mathematical and other curious instruments to every part of Europe, and to France amongst the rest."

The experiences of the Lavoisiers, whose scientific experiments relied upon English technologies, highlight the fact that we cannot understand how new scientific ideas informed the Industrial Revolution without a comprehension of the profound alteration of opinion in the social sciences, an alteration that favored commerce, inquiry, and innovation.

In looking to the most significant works in political philosophy published between 1600 and 1750 – Hobbes' (1651/2002) *Leviathan*, John Locke's (1689/1823) *Two Treatises of Government*, Montesquieu's (1748/1989) *The Spirit of the Laws*, and David Hume's (1739/1896) *A Treatise on Human Nature* – only Hume concerned himself with markets and then only tangentially. New understandings in the field of economics – associated with Richard Cantillon's (1755/2010) *An Essay on Economic Theory*, Francois Quesnay's (1758) *Tableau Economique*, and Adam Smith's (1776/1999) *The Wealth of Nations* – lay in the future. It was not matters such as economic value, utility, the division of labor, managerial efficiency, or competition that primarily concerned Hobbes, Locke, Hume, and Montesquieu. Instead, it was a far more basic precondition for material advancement: security of person and property. Hobbes (1651/2002: 66), for example, in drawing up principles for a "covenant" between rulers and ruled, argued that "security" was key to ensuring the advancement of both "industry" and "knowledge." Whether such an outcome occurred through absolutist monarchy or democracy little concerned Hobbes. A generation later, John Locke (1689/1823: 159) similarly observed in his *Two Treatises of Government*, "The great and chief end . . . of men uniting into a commonwealth, and putting themselves under government, is the preservation of their property." In France, Montesquieu in his *The Spirit of the Laws* also believed that a system of "civil laws" – enforced by state apparatuses – was a precondition for industry. For without such protections, Montesquieu (1748/1989: 290–292) concluded, people would be "very few" and constantly "prey to their enemies." Into this debate about the appropriate frameworks for commercial and industrial advancement, Hume's (1739/1896) *A Treatise on Human Nature* represented a revolutionary departure. According to Hume, self-interest was society's primary glue. For, Hume (1739/1896: 273) reasoned, not only is it so that humanity is mainly "govern'd by [self] interest"; it is also the case that the benefit of upholding a system of market exchange is "palpable and evident, even to the most rude and uncultivated of the human race."

The emphasis placed by Hobbes, Locke, and Montesquieu (if not Hume) on the importance of the state's protective umbrella highlights the fact that the societies of the seventeenth century and even (to a lesser degree) the eighteenth century were not market economies as we understand them. For, as we noted in ▶ Chap. 9, "From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750," the seventeenth and eighteenth centuries represented the heyday of "mercantilism," an era in which each European government sought to beggar their neighbor by restricting trade to ships flying their own national flag. Internal commerce and industry also favored firms boasting royal charters or monopolies. Nevertheless, within this web of government regulation, it is clear that England increasingly stood at the forefront not only in terms of political philosophy (Hobbes, Locke, Hume) but also in terms of a political and social climate that favored both commercial endeavor and scientific inquiry.

The importance of political and social climate for the nascent Scientific Revolution is highlighted in the very different receptions obtained by two studies published in the opening decade of the seventeenth century: Galileo Galilei's (1610/1989) *Sidereus Nuncius* (*The Starry Messenger*) and Francis Bacon's (1605/1902)

The Proficience and Advancement of Learning. In the former work, Galileo – the University of Padua mathematician who had previously demonstrated the commercial possibilities for the newly invented telescope – described the discoveries obtained when he turned his telescope to the heavens. In words of historic significance, Galileo (1610/1989: 5, 8) began his study by stating, "I discovered these stars unknown to all previous astronomers," adding:

> *Certainly it is a great thing to add to the countless multitude of fixed stars visible hitherto by natural means and expose to our eyes innumerable others never seen before, which exceed tenfold the number of old and known ones.*

Not content with simple empirical observation, Galileo proceeded to the destruction of the Aristotelian (and hence Catholic) understanding of the cosmos. In providing proof in support of "the Copernican system," Galileo (1610/1989: 58) informed his readers that, whereas the moon revolved around the earth, "both run through a great circle around the Sun." Safe while he lived among the merchants of the Venetian republic, Galileo erred in leaving its protection for Rome. Tried for heresy in 1633, Galileo lived out his life under house arrest.

If Galileo's work did much to overturn the Aristotelian/Ptolemaic understanding of the cosmos, it was Bacon's work which acted as a renunciation of the whole structure of Aristotelian thought. Arguing for research in both the natural and social sciences to be based on empirical observation rather than the writings of antiquity, Bacon (1605/1902: 61) argued that, "as water ascends no higher than the level of the first spring, so knowledge derived from Aristotle will at most rise no higher again than the knowledge of Aristotle." As to the scientific "usefulness" of Greek philosophy as a whole, Bacon (1605/1902: 11) declared it "puerile," "talkative" rather "than generative – as being fruitful in controversies, but barren in effects." Significantly, among the areas that Bacon (1605/1902: 480) indicated as a priority for research was the "Doctrine of Business; or books upon all kinds of civil employments, arts, trades, etc." In a subsequent book, *Novum Organum: True Suggestions for the Interpretation of Nature*, Bacon (1620/1902: 5) returned to the theme that research must be based on original observation rather than ancient dogma, declaring: "They who have presumed to dogmatize on nature . . . in the professorial style, have inflicted the greatest injury on philosophy and learning." Raised to the peerage in 1618 as Baron Verulam, Bacon also served as England's attorney-general and Lord Chancellor, playing a seminal role in the founding of Newfoundland, Virginia, and the Carolinas. That Bacon, like Galileo, eventually fell foul of the law owed little to his ideas, for which he enjoyed contemporary esteem, but rather to a predilection for accepting money from those seeking the favor of the British crown. Politically disgraced, Lord Bacon was left to pursue his scholarly pursuits in considerable comfort.

The abandonment of Aristotelian dogma, and an embrace of the research principles advocated by Bacon, laid the groundwork for one of the most extraordinary periods of scientific advance in human history. Across the seventeenth century, discoveries came thick and fast: William Harvey's (1628/1928) publication on the circulation of blood (1628/1928); Robert Boyle's (1661) work on chemical structure; Hooke's (1665) research into single-called organisms; Isaac Newton's (1687/1968) study on gravity and planetary motion; and Antonie van Leeuwenhoek's (1676) development of the new field of microbiology. All of these works, it should be noted, came from the business-oriented societies of England (Harvey, Boyle, Hooke, Newton) and the Netherlands (van Leeuwenhoek). Nor was it the case that such scientific research was restricted to an educated few. Any work of significance typically found its way into the pages of The Royal Society's monthly journal, *Philosophical Transactions*. A perusal of the pages of the *Philosophical Transactions* highlights the extent to which scientific advance now informed managerial activities. In the April 1673 edition, for example, we find articles on the processing of cocoa, new techniques for hardening marble saws, shipbuilding advances in Virginia, and variations in animal coronary structure (Royal Society 1673a). In the ensuing issue, we read of Dutch microbiological studies, a new drug to curtail bleeding, novel metallurgical techniques, and animal respiratory behavior (Royal Society 1673b).

Among the works published across the course of the seventeenth century, Newton's (1687/1968) *The Mathematical Principles of Natural Philosophy* has deservedly won special recognition. As Dominiczak (2012: 655) recently observed, Newton's theories represented a final nail in the coffin for "Aristotelian mechanics," facilitating "the transformation of natural philosophy into science." For in his study, Newton (1687/1968: 19) did more than explain gravity and motion. Newton also spelt out in unequivocal terms both the problems of scientific research and the process of inquiry required in order to overcome those problems. As Newton (1687/1968: 17) explained it, the principal problem with research in the natural sciences is that we are dealing with motions, forces, and forms that "by no means come under the observation of our senses." "Yet," Newton (1687/1968: 19) added, using the study of motion as an example:

> *. . . the thing is not altogether desperate; for we have some arguments to guide us, partly from the apparent motions, which are the differences of the true motions; partly from the forces, which are the causes and effects of the true motions.*

In other words, the connections between phenomena are often by no means obvious, and it is only through experimentation and thesis testing that we can distinguish the true cause of things. It was upon such principles – as applicable in the social sciences as the natural sciences – which the modern world of rational, inquiring managerial endeavor was to be built.

Conclusion

In his *Writing and Difference*, the French philosopher, Jacques Derrida (1967/2001: 48) stated that there is a "fundamental permanence" in the West's "logico-philosophical heritage . . . Whatever the momentary break, if there was one . . .this break and this alteration are late and secondary developments." As with many of

Derrida's observations, this claim is part fact, part fallacy. There are probably few who believe today, as Pope Gregory the Great (c.AD 559/1959: 199–200) evidently did, that the sick can be healed by bringing them before "the lifeless remains" of church martyrs or that "the dead" are "restored to life" through exposure to such mummified forms. Nor, one suspects, are there many business people who share the opinion of St Thomas Aquinas (c.1270/1952: Q. 77, Article 1) that a trader risks eternal damnation if they "have recourse to deceit in order to sell a thing." Across the vast stretch of time that this chapter has considered (i.e., c.AD 450–1750), we can nevertheless detect constants in terms of moral and intellectual values, in habits of thought. Three of these stand out as being particularly significant in informing modern managerial and business systems. First, there is not only a love of learning but also a unique societal determination to foster and protect institutions of learning. Initially manifest in the early medieval monasteries, in the High Middle Ages, this cultural imperative produced the flowering of a unique historical institution: the university. In the university, as Compayré (1910) observed, was found all "there was of good in monastic rules, the constant contact between many minds devoted to the same work . . .the advantages pertaining to intellectual association." To such benefits of the old monastic order, the university system adding another vital ingredient: intellectual liberty, a freedom to inquire and debate. A second constant, which also emerged out of the medieval monastic system, was an emphasis on the dignity of work. As McCann (1937: 100) argued, the "principle" that required a monk "to regard no honest labour as beneath him" was "of itself . . .a valuable contribution to human progress." Outside the cloisters of the monastery, as within, there emerged a cultural expectation that no matter what one's station in life, no matter how rich you were, you would work for a living. Across Europe as a whole, therefore, we can witness clear evidence of the "Protestant" or "Calvinist" work ethic of which Weber (1905/2003) spoke long before the Reformation. The third constant, which was again the product of medieval monasticism, was to approach one's daily work with an inquisitive rational mind, constantly seeking after greater efficiencies. Within the medieval monastery, there was an expectation that, whatever job you did, one would do it with the utmost thought and care, to be best of one's ability. The emphasis on efficiency also stemmed in part from the monastic marrying of learning and work, St Benedict's (c.516/1931: 22) famed Rule requiring monks "to be occupied, at fixed seasons, with manual work and again at fixed seasons with spiritual reading." Scholarship and work were intertwined, not separate activities.

If Western European advancement was built upon a number of intellectual constants, managerial and scientific progress also ultimately required ruptures, the overturning of many of the fundamental premises upon which the civilization was constructed. The first was the idea that the pathway to knowledge and truth was the monopoly of a single institution and its associated dogma. A characteristic feature of medieval society, in which the Catholic Church constantly threatened dissidents with arrest and execution as heretics, this tendency was also evident in the Protestant faiths which emerged in the sixteenth century. As Calvin (1536/2014: 350) informed his followers, "The origin of all good clearly appears . . . to be from no other than God alone; for no propensity of the will to any thing (sic) good can be found." During the High Middle Ages and Renaissance, the retarding effects of religious belief were accentuated through its association with Aristotelian philosophy and science. Not only were Aristotelian principles made articles of faith by the Church; they also appealed to secular scholars' intent on reviving the wisdom of antiquity. The problems this produced were considerable. Aristotle (c.350 BC/1941: 712, 693), for example, believed that "theoretical knowledge" and "empirical knowledge," were distinct and separate. He also argued that theology was "the most divine science." Through its association with Ptolemy of Alexandria's theorems on astronomy, Aristotelian philosophy was also associated with a static understanding of the cosmos. Not until the publication of Newton's *The Mathematical Principles of Natural Philosophy* was the credibility of Aristotelian science finally destroyed, Newton (1687/1968: 17) noting that his own scientific conclusions "do strain the Sacred Writings." The third key rupture in the Western *episteme* that paved the way for the Industrial and Managerial Revolutions of the eighteenth and nineteenth centuries was a transformation in attitudes toward private property and wealth creation. The best way to characterize the ethos of the medieval world is to note that it was a "civilization of poverty," as both lived experience and philosophic ideal. In the opinion of St John Chrysostom (c.AD 398/1848: 136), a religious society was founded through necessity upon "the poor, the lame, the crippled, the infirm." Their suffering not only helped guarantee their own place in paradise. They also provided a pathway for the rich. For, in God's terrible judgement in the afterlife, the almsgiving of the rich would appear as a positive attribute in the divine ledger book of sins and good work. For St Benedict (c.516/1931: 17) as well, private property was an awful "vice," a sin which every successful monastery had to "cut off . . . by the roots." Not until the seventeenth century were private property and wealth creation perceived by political and moral theorists as the necessary bedrock for societal economic and managerial success. As political thinkers such as Hobbes, Locke, Hume, Voltaire, and Montesquieu realized, the main beneficiary of laws in defense of private property were not the rich – who rarely needed them – but people of modest means, the craft worker, the laborer, and the small entrepreneur. And, without the industrious efforts of such people, no long-term social, economic, or managerial progress is possible.

Cross-References

- ► From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750
- ► Management in Antiquity: Part 1 – The Binds of Geography
- ► Management in Antiquity: Part 2 – Success and Failure in the Hellenic and Roman Worlds
- ► What Is Management?
- ► Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861

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The Origins of Robust Supply Chain Management and Logistics in the Caribbean: Spanish Silver and Gold in the New World (1492–1700)

11

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Contents

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Abstract

The Spanish Empire had a head start on their European counterparts in establishing themselves in the Caribbean and South America. They discovered a surfeit of resources in newly explored regions of the Caribbean, including most notably, gold and silver. Collecting, processing, protecting, and transporting these riches from the Caribbean to Spain was a tremendous undertaking and required the Spaniards to adopt new practices in supply chain management and employ innovative logistical techniques. This chapter explores the history of the Spaniards in the Caribbean and northern South America and analyzes their practices in terms of our modern understanding of supply chain and logistics. This chapter begins with a historical context of Spanish exploration. We then describe the supply chain practices that begin by extracting gold from Peru, Colombia, and Ecuador, transporting to Panama, crossing the isthmus via mule train, and aggregating the gold in Cartagena and Havana prior to transportation to Spain.

Supply chain management has been conceptualized as "the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers" (CSCMP (2016) Council of supply chain management professionals. Available at: http://cscmp.org/about-us/supply-chain-management-definitions. Accessed 17 Nov 2016). Using this framework, we provide a case study of this time period that contextualizes the origins of supply chain management as employed by the Spaniards.

Keywords

Spanish gold and silver · Logistics and supply chain management · New World riches · Capitalism

Introduction

The Spanish exploration of the New World, the discovery of gold and silver, and the repatriation of these riches to Europe hastened the development of long-distance trade and dramatically altered the shape of capitalism in the known world. According to Peterson (1975), during the Spanish rule of the New World, an estimated $4 billion to $6 billion worth of precious metals and gems were transported to Spain, which represents five or more times the value a similar sum would have today. To support the extraction, refining, and safe transportation of this wealth to Spain, an ingenious system of planning, logistics, and supply chain management evolved. This chapter traces the roots of the European desire for metallic riches, which in turn prompted voyages to the unknown, and ultimately, the evolution of a new world economy. Long-term, the abundance mined from the New World did not prove beneficial to the economic development of the Iberian Peninsula (Pach 1968). Instead, profits from the Spanish treasure fleets were squandered on wars and the support of an economy dependent on goods imported from other countries. The correlation from events that took place over four centuries ago and today's global political and economic scenario is profound.

Evolution of the European Economy

Europe, at the dawn of the fifteenth century, was emerging from the ravages of the Black Death, a bubonic plague that killed 60% of its entire population (Beneductow 2005). The political, social, and economic system of feudalism, the strict hierarchy of rank where every person knew their place began to change as the century unfolded (Olsen-Raymer 2014). In addition to the clergy (cardinals, archbishops, bishops, abbots) and the aristocracy (descendants of the warlords who were owners of vast parcels of land), a new class of citizen evolved. Known as the bourgeoisie, these were the merchants, the shopkeepers, and the master-craftsmen.

Towns and large villages arose throughout Europe. Behind the strong walls and moats of these fortresses, medieval craft production developed. Textiles, furniture, furs, fruits, even the production of weapons furthered the advancement of commerce and trade (Engels 1957). The economy according to Braudel (1992) consisted of two gigantic spheres: production and consumption. However, a third world existed, the market, the place where the exchange of goods took place. Markets were typically held on fixed days. Commodities such as bread, cheese, meat, vegetables, fruit, fresh game, wool, hemp, flax and on and on – the production side – could be sold directly to the consumption side, the consumer via the market. Goods were bartered or sold, money exchanged hands, and credit was little used – capitalism in its rudimentary form.

From a macrostandpoint, the European economy was isolated from the rest of the world with the exception of the neighboring Muslim lands (Walton (1994). Political connections with far-off civilizations in the West, the Far East, and Africa south of the Sahara were nonexistent with only a minuscule amount of international trade conducted. The one striking exception to the absence of foreign commerce was the trade in spices. The Muslims, through their conquests, had control or influence over a wide array of territories where spices richly coveted for food preservation and flavoring were grown and harvested. Powerful Italian city-states including Venice, Florence, and Genoa, following the path of the Crusades, dominated the market for spices, trading with the Muslims through Levant, the ancient ports of the eastern Mediterranean (Ashtor 1975).

Trade in the European markets as well as what little international commerce took place had long utilized coins as a means of payment. Europeans coveted precious metals which could be fashioned into coins, the only stable and dependable form of currency at the time. Coins could be subdivided. Coins could be stored and did not deteriorate in value, provided there was faith in the quality of the metals used to form the currency. Gold and silver were comparatively rare, malleable which allowed them to be worked into handy shapes, and held an alluring appearance. Coins fashioned out of gold or silver could be exchanged for any commodity, at any place, at any time, and played a fundamental role in the development of European commerce (Walton 1994).

A phenomenon occurred in the second half of the fifteenth century that altered the course of history. As European merchants began to expand their reach into areas such as Africa and the Western Hemisphere, they discovered that with the exception of the Muslims who despite political and religious differences shared similar ideas about trade and money, the concept of using gold and silver which had intrinsic value and could be used for coinage was not unilateral. The imbalance between areas of the world with more advanced notions of commerce and a need for precious metals and areas which held large amounts of gold and silver but expressed scant interest in utilizing these resources for monetary purposes began to emerge (Walton 1994). Those who could take advantage of this contradictory situation stood to reap significant profits. The hunt for gold and silver began in earnest.

The European Quest for Gold

European thirst for gold and silver was heightened by the fall of the Christian city of Constantinople to the Ottoman Turks in 1453. The Turks subsequently held control of an important center of economic, political, and cultural influence. They also held sway over the Balkan silver mines of Serbia, Bosnia, and Kosovo. According to Erlichman (2010), the annual production of the Central European silver mines in the mid-fifteenth century had collapsed to fewer than 2.5 tons. The loss of the Balkan silver mines deprived the Italians of nine tons of silver. England's annual production of 65,000 lbs sterling in 1474 was half of its production in 1350. The Netherlands output of silver was down two-thirds. All of which meant a tightening of currencies and a slowdown in business activity. A sense of urgency for new sources of gold and silver prevailed.

Ironically, the smaller, less powerful, less affluent country of Portugal became the catalyst for a giant leap in the search for metallic riches, and ultimately, the evolution of capitalism. Vilar (1969) contended that Portugal, a small country, achieved more than countries much larger in population and resources due to its location at the crossroads of the Mediterranean, the Atlantic, and Africa. Prince Henry the Navigator, considered the father of Portuguese maritime expansion, jump-started his country's exploration of Africa. The Portuguese roamed far and wide around the west of Africa colonizing the Madeiras and the Azores, exploring as far south as the Ivory Coast, Niger, and Cameroon, searching for African gold, slaves, and a shorter route to the spice and silk markets of India and Malaysia. These activities captured the attention of competing countries. Portugal's exploration and commercial successes in West Africa had rendered the Spanish Kingdom of Castile to a lesser status on the Iberian Peninsula. The marriage of Fernando of Aragon and Isabel of Castile altered the dynamics of the region. The royal duo of Fernando and Isabel proved formidable, conquering the Muslim kingdom of Granada in 1491, unifying most of

Spain. The duo then turned their attention to beating the Portuguese to spice markets of South Asia (Erlichman 2010).

Christopher Columbus, a Genoese with a commercial and sailing background, in search of a more direct route to the spice markets of Asia, proposed a western route in sharp contrast to the Portuguese intent to head east. Columbus, having been turned down by the English and twice by the Portuguese, found a willing partner in the Spanish monarchs. To finance Columbus's first expedition, 1,600,000 maravedis, the equivalent of 14–16 kg of gold had to be found, with the hope that a sum exceeding that amount would come back. The Spanish monarchy provided 1,140,000 maravedis, Columbus paid an eighth of the costs, but it was the banker de Santangel who raised the capital (Vilar 1969). After a 10 week sail across the uncharted Atlantic, Columbus landed on an island in the Bahamas on October 12, 1492, thinking that he had located a chain of islands off the eastern coast of Japan (Erlichman 2010). According to Thomas (2003), some of the natives Columbus first encountered upon his landing had gold hanging around their necks and from holes pierced in their noses, instantly capturing the explorer's interest. Whether Columbus desired to recover the costs of the voyage or a quest for wealth, his hunger for gold was apparent, mentioning the subject in his diary more than 65 times (Vilar 1969).

The discovery of gold in the Caribbean islands spawned an unprecedented rush to search for New World riches. The next 50 years witnessed a gold cycle in the islands. The Spanish confiscated Indian gold used for ornamentation and forcibly subjugated natives in their search for gold in local vicinities. Death and infirmity of the indigenous population took place as the Spaniards moved from Santo Domingo to Puerto Rico, Cuba, and Hispaniola. Ultimately, the Spaniards began to spread elsewhere as the discovery of gold and silver in other Latin America countries ensued. While gold was the initial draw, as the decades of the sixteenth century unfolded, silver became so critical that gold comprised only 15% of the value of the riches being returned to Spain (Vilar 1969).

Three Sources of Gold and Silver

The viceroys of New Spain failed to discover the fabled *El Dorado* city of gold, even after sending search envoys as far north as Kansas and as far west as the Grand Canyon. However, the Spanish Empire's efforts in New Peru proved much more fruitful. Pizarro conquered the Incan empire in 1532 and the Spanish Empire acquired the Cerro Rico de Potosi silver mine. Some historians estimate that 85% of all silver extracted from the Andes came from this mine alone (Weatherford 2010).

Mining operations were run predominantly with the labor efforts of conquered Incans. Despite the widespread use of imported slaves from Africa as a labor source in other regions of the empire, Incan slaves were already acclimated to high altitudes. Spanish governors adapted the practice of *mit'a*, a labor law implemented by Incan predecessors requiring Incan youth to provide a given period of public service.

However, instead of the Incan practice of using this labor to build roads and public edifices, the Spanish employment of *mit'a* was used to mine silver (Thomas 2003). This practice quickly segued into full-scale forced labor referred to as *encomiendas.* In addition to the gold and silver mines that were discovered throughout Peru, Bolivia, Ecuador, and Colombia, the Vice Royalty of Peru also discovered several mercury mines, an integral component in the processing of silver. The proximity of mercury, most notably from the Huancavelica mine, afforded both cheaper processing because mercury did not have to be imported from foreign sources, and expedited exportation of the processed silver. The silver was transported to the coastal cities of Arica, Lima, and Callao in Peru where it was loaded on ships and sailed to Panama City. The silver was loaded onto mule trains and crossed the Isthmus of Panama to coastal cities of Nombre de Dios and Porto Bello to await transportation to Spain.

The Cerro Rico silver mountain was the first major mining acquisition for the Spanish Empire. A second major source of wealth was discovered in northern South America. In 1514, the coastal cities of Cartagena and Santa Marta were established as a base for exploration of the rivers and tributaries of the Andes Mountains. The rich gold deposits found there were extracted by the now-common *encomienda* enslavement practices, but also by the importation of African slave labor. These riches were taken to Cartagena to await transportation to Spain.

Finally, despite initial discoveries of small silver and gold deposits in Mexico in the early 1500s, the Vice Royalty of New Spain continued to search for larger collections of these metals. They discovered abundant deposits of silver most notably in Zacatecas and Guanajuato in Mexico in 1546. The silver extracted from these mines was carried by mule train to the coastal city of Veracruz to await transportation to Spain. Once the gold and silver were staged in Cartagena, Porto Bello, and Vera Cruz, they were transported via Spanish galleon to the port of Havana which served as a final staging area prior to shipment to Spain as illustrated in Fig. 1.

Transportation via Treasure Fleet

By 1520, the Spanish established a system of convoys whereby two fleets would depart from Seville, Spain, to retrieve the newly discovered gold and silver. The flotilla consisted of war galleons heavily laden with cannon, supply frigates, and merchant carracks, which purveyed the Caribbean colonies with manufactured and trade goods. Under this system, the fleet would sail to Caribbean whereby half the fleet would head south to Cartagena and Porto Bello, while the other half of the fleet would recover the silver and gold supply from Caribbean outposts, notably Vera Cruz. The fleet would then rendezvous in Havana in preparation for the return trip to Spain. To further protect their supply chain, the Spaniards augmented the fortifications and increased standard garrison sizes in these port cities which staged the gold and silver.

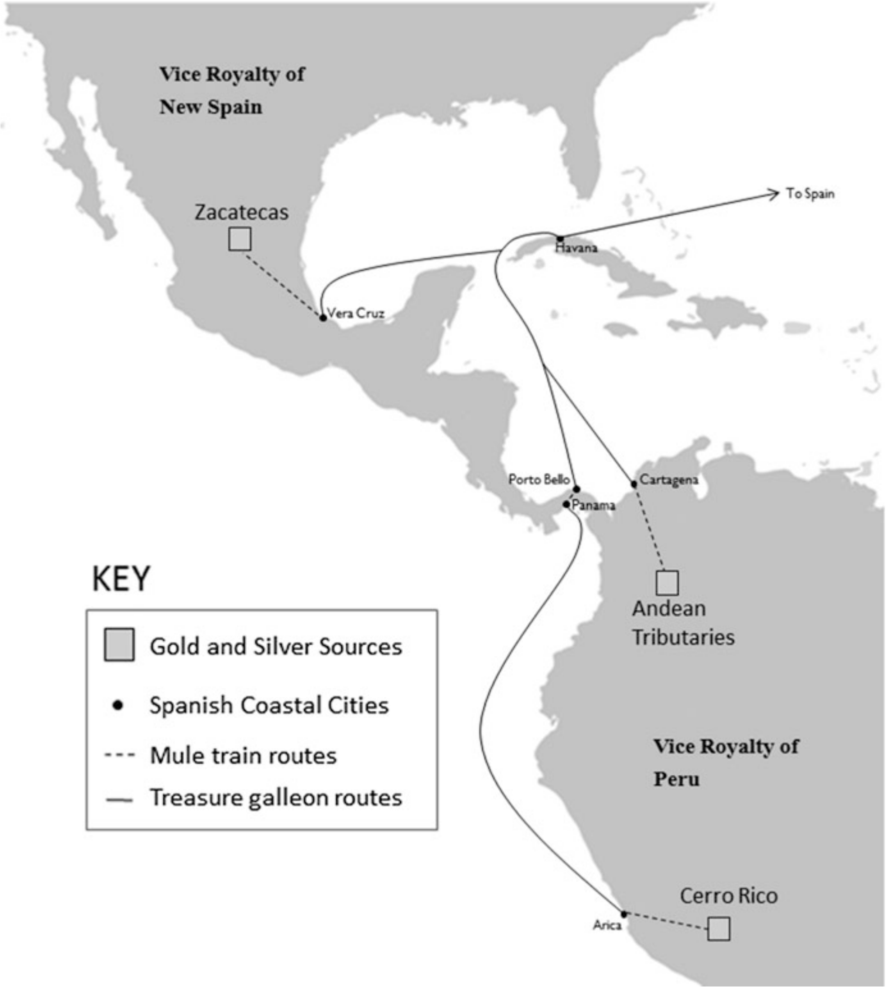

Fig. 1 Seventeenth Century Spanish Gold and Silver Supply Chain Routes. (Source: Florida Department of State. Retrieved from http://info.flheritage.com/galleon-trail/plateFleets.cfm)

The main production centers of Spanish gold and silver were too far inland to be susceptible to sacking. However, once the Spanish treasure galleons departed the staging docks of Cartagena, Porto Bello, and Vera Cruz, they were the target of attack at sea by a myriad of characters. Piracy, as the Spanish called it, consisted of all foreigners, mostly Protestant, who assaulted their assets (Thomas 2003). Despite the all-encompassing characterization of piracy by the Spanish, the constitution of these actors varied in both legitimacy and tactics. Piracy consisted initially of the French and English attempting to disrupt Spain's progress towards wealth. They achieved this by sacking cities, seizing ships, and funding settlements from which to base their operations. This exercise of legitimate force by established foreign navies eventually digressed into independent actors partaking in the attacks. Piracy by the mid-seventeenth century had become an independent endeavor. Privateers were nonmilitary contractors of Spain's enemies, buccaneers were ostensibly free-lance sea robbers and bandits, and freebooters were French pirates in the Antilles that attacked merchant and treasure ships alike prior to arriving in Spain. The attacks on Spanish ships were so pervasive throughout the Caribbean during this time period that scholars refer to the seventeenth century as the Golden Age of pirates.

Spanish Logistics and Supply Chain Management

To comprehend the scope of the Spaniards' extraction, processing, and movement of the immense amount of physical riches mined from the New World, we must put this into the context of modern day logistics and supply chain management. The concept of logistics, the movement of equipment and supplies, emerged from the military's support of troop activities in the field. Today, the Council of Supply Chain Management Professionals define logistics as "that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point-of-origin to the point of consumption in order to meet customers' requirements" (Enarsson 2009, p. 1). According to Rodrique (2012), the principle of continuous flow is at the heart of efficient use of logistics to support supply chain management as shown in Fig. 2.

By examining Rodrique's (2012) modern day logistic chain, we can visualize the Spaniards process of logistics management. First they extracted gold and silver from various New World sources. Then they processed the raw material and fabricated the silver into loaf-shaped bars that weighed about 70 lbs, wedges that weighed anywhere from 2 to 10 lbs, or smaller cakes that weighed a pound or so. Gold followed much the

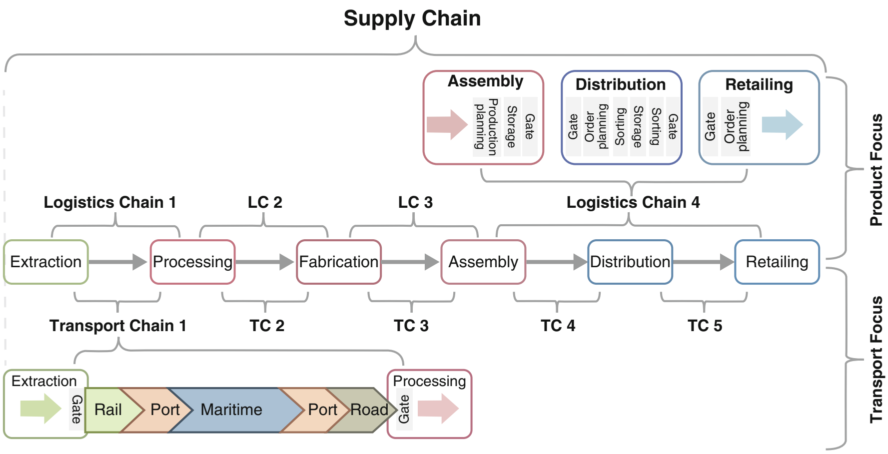

Fig. 2 The Scope of a Supply Chain, Logistics Chains and Transport Chains. (Source: Rodrique (2012), chapter 4, p. 5)

same process and was cast into similar shapes as silver but weighing only ounces rather than pounds (Peterson 1975). Following the processing and fabrication which took place at the various mining sites, the gold and silver was transported, typically by mule train, to assembly points in Vera Cruz, Mexico, Panama City, Panama, and Cartagena, Colombia. From these locations, Spanish ships made their way to Havana for final assembly and transport to Spain. To appreciate the scale of the Spanish logistics movement of riches to Spain, we need to consider the mode of maritime transportation. By the 1550s, the galleon had become the workhouse of the Spanish treasure fleet. Galleons were, on average, about 100 ft long, 30 ft wide and carried artillery plus supplies necessary to support a crew that could number as many as 200–300 men which included military personnel. Spanish galleons had a carrying capacity anywhere from 500 to 600 tons (Walton 1994), minute compared to today's modern cargo vessels where a medium size container ship is 700 ft in length and carries a load of 25,000 tons. To move the billions worth of riches to Spain, it is evident the Spaniards, against enormous challenges, focused efforts on achieving their version of a state of continuous logistics flow from the New World to Spain despite the fact that each voyage could take anywhere from 2 to 3 months, were comprised of 60 or more ships, and typically sailed in the spring to avoid the hurricane season.

The Spaniards modeled the logistics chain flow of extraction, processing, fabrication, assembly, distribution, and retailing centuries before the concept had been formulated. Lest there be confusion about the word retailing, the last step in the logistics flow process (Rodrique 2012), it is important to understand how the Spanish Crown's stake in New World riches evolved. Initially, the Spanish King demanded the bulk of the wealth confiscated from the Americas. However, it became evident that without proper incentive to navigate unchartered waters, bear harsh conditions, risk everything including life and limb, the proper development of the New World riches would languish and the full potential of exploiting this opportunity never achieved. The royal share was lowered and by 1500, the king's share was half, then reduced to a third, and in 1504 became a fifth. Where difficult mining conditions prevailed, the King's share could have been as low as a tenth (Peterson 1975). The larger share of New World abundance went to the merchants who financed the search for gold, silver, and other riches – the use of *variable or rolling capital*, money used in the production as defined by Braudel (1992). The regulation of trade between Spain and the New World was under the control of the Spanish House of Trade which was under the administration of the Council of the Indies and was responsible for formulating trade policies and procedures. So linked was the Merchant Guild of Seville to the House of Trade, members could be compelled to advance money to the crown to meet the financial needs of the state or finance fleets of treasure ships (Hamilton 1929). Figure 3 reveals in pesos the average annual imports of registered public and private treasure from the New World.

The value of this treasure to the Spanish Crown and the Merchants of Seville is best illustrated by the fact that "at the rate prevailing for un-skilled labor in Andalusia, Spain, the average annual receipts for 1591–95 would have paid for 21 ½ days' work of all the persons in the country employed for salaries and wages" (Hamilton 1929, p. 464).

Fig. 3 Average Annual Imports of Treasure in Pesos by Ten-Year Periods, (Source: Hamilton (1929), p. 464)

Period	Public	Private	Total
1503-1510	75,176.3	211,756.2	286,932.5
1511-1520	114,690.5	323,059.4	437,749.0
1521-1530	61,444.6	173,076.6	234,521.2
1531-1540	356,649.1	760,975.7	1,117,624.9
1541-1550	470,092.0	1,622,451.2	2,092,543.2
1551-1560	1,039,400.4	2,533,505.5	3,572,905.9
1561-1570	1,120,855.2	3,948,895.0	5,069,750.2
1571-1580	1,989,667.8	3,842,042.2	5,831,710.0
1581-1590	3,118,763.3	7,522,685.2	10,641,448.5
1591-1600	4,199,533.3	9,723,139.3	13,922,672.6
1601-1610	3,013,912.9	8,147,794.1	11,161,707.0
1611-1620	2,312,141.9	8,615,974.2	10,928,116.1
1621-1630	1,901,991.4	8,491,049.6	10,393,041.0
1631-1640	1,885,025.5	4,800,065.7	6,685,091.2
1641-1650	1,261,754.9	3,845,115.0	5,106,869.9
1651-1660	569,080.4	1,561,896.1	2,130,976.5

Robust Supply Chain Practices

The supply route the Spanish empire established during this time was unlike any others seen in history. The Romans had a network of roads to connect the farthest regions of their empire, but these were already well-established trade routes into a relatively known world (Grant 1991). Marco Polo's route to Asia was exploratory in nature and yielded relatively low trade volumes, and military conquests such as those undertaken by the Mongols and Alexander had a clear origin to front lines supply chain, but were subject to short term fluctuations in quantity and limited duration (Cole and Symes 2014). The Spanish transportation of precious metals from their newly established vice-royalties in Central and South America was truly the world's first supply chain that was maintained in consistent quantities over a sustained period of time (centuries) in an environment where the risks were unknown and extreme. Their success is remarkable by historical standards. Moreover, they changed the economy of Western Europe and established supply chain practices their European neighbors would emulate in their New World conquests.

Current knowledge of supply chain management is rooted in a mature stream of empirical and theoretical scholarship. The Spanish supply chain practices need to be contextualized in this contemporary understanding so that the fullness of their innovation can be brought to light. More specifically, in what ways does their supply chain conform to modern best practice? Many scholars argue that robustness is the defining characteristic of supply chain best practice (Kouvelis et al. 2006; Asbjornslett and Rausand 1999; Durach et al. 2015; Nair and Vidal 2011). Meepetchdee and Shah (2007) offer that robustness consists of "the extent to which the supply chain is able to carry out its functions despite some damages done to it" (p. 203). This characterization identifies resiliency in spite of setbacks as a key element in supply chain robustness. The Spanish Empire certainly persevered in spite of myriad detriments to their operation. The treasure fleet was successfully captured in 1628 and destroyed in 1656 and 1657. Maritime weather sunk the treasure fleet in 1622, 1715, 1733, and 1750. Pirates successfully sacked port cities of Nombre de Dios (1595), Campeche (1663), Panama (1671), Vera Cruz (1683), Cartagena (1683), Porto Bello (1739), and Havana (1748). These efforts emboldened pirates and foreign navies to continue their sally on the Spanish treasure fleet and compelled Spanish governors to further fortify their port redoubts. Despite these setbacks, the Spanish supply chain continued to function. Klibi et al. (2010) opine that a supply chain is robust if it can sustain value creation under all plausible future scenarios. The Spanish successfully imported more than 89 million pesos from American origin between 1503 and 1660, which equates to more than 500,000 pesos per annum (Hamilton 1929). Their sustainable value creation vis-à-vis the silver and gold routes demonstrates the robustness of their supply chain. Wieland and Wallenburg (2012) characterize robustness as the ability of a supply chain to resist change to its initial configuration. Hence, a consistency of purpose characterizes robustness. The Spanish supply chain advanced as nautical, shipbuilding, and navigational technology improved, and they used these advances to expand their armada of fleets and continue global navigation and exploration, notably in South America and Philippines. They fought wars with their English, French, and Dutch counterparts. They established their new colonies, expanded their population centers, and established new commercial trade routes. They never abandoned their efforts to continue gold and silver extraction during the era of these concomitant opportunities. The incentive to maintain their lucrative supply chain was clear. Their reliance (and dependency) on gold and silver to fund these expansive endeavors fueled their commitment to maintaining the supply chain. This consistency of purpose further characterizes their supply chain as a robust one.

The Spanish supply chain can be regarded ostensibly as the world's first robust supply chain because the results of their efforts reflect the resiliency, sustained value creation, and consistency of purpose that characterizes robustness. A comprehensive understanding of their supply chain requires a deeper exploration of the factors that contributed to this robustness. Durach et al. (2013) conducted a meta-analysis of robustness as a supply chain construct and identified eight antecedents. They found that the factors contributing to a robust supply chain include leadership commitment, reliable human capital, intra-organizational relationship magnitude, an aggressive orientation on risk management, node criticality, bargaining power, visibility, and network complexity. The Spanish supply chain is contextualized in light of these factors.

Leadership Commitment

A robust supply chain begins with unwavering commitment from organizational leadership. In the years prior to the discovery of these new resources, the Spanish monarchy ushered in what would become the most influential union the era would see – that of Ferdinand of Aragon and Isabella of Castile. Their impact on the

Spanish search for and production of silver and gold during this early period set the precedents that proceeding kings and queens would use to grow their presence in the new world. This royal couple was committed to the Spanish supply chain for myriad reasons. First, the Spanish empire was in the midst of vanquishing the last bastion of Muslim presence in Spain. Their victory at Granada (1492) was the last step in evicting Muslim presence after eight centuries of occupation. In the postbellum years of Granada, Isabel and Ferdinand took measures to establish and sustain a unified and independent Spanish identity (Thomas 2003). They funded more wars and conquests for expansion using the funds from the resources they extracted from their new vice-royalties. The Spanish fought in campaigns against Morocco (1497), Muslims (1499), Ottomans (1499), Italy (1499), Papal States (1508), Tainos in the Caribbean (1508, 1511), Algiers (1518), Aztecs (1519), Mayans (1523), Switzerland (1526), Incas (1531), France (1551), Protestants (1562), Philippines (1567), and the Eighty Years War that began in 1567. The constant need to supply front lines, billet soldiers, hire mercenaries, incentivize exploration, and compensate the ever-growing list of nobles, officers, and governors to rule the expanded territories left Spain unwavering in their search for more gold and silver. The leadership commitment to maintain the supply chain was stark, even after the Isabela and Ferdinand era had ended. Spanish powers continued to pour resources into maintenance and development of the supply chain because had they not, they would have lacked the financial means to engage their empirical conquests of foreign lands and defense of their own. Thomas (2003) suggests that the Spanish monarchs ostensibly bankrupted their country by using their treasure from the New World to fund an incessant series of wars. The gold and silver they extracted continued to depreciate in value by nature of the increase in supply. The commitment to war and the inflation collectively contributed to the bankruptcy of the monarch.

The depreciation of precious metals during this time meant they needed even more to maintain their level of warlike relationships with neighboring European powers and American exploration and conquest. Leadership commitment to the supply chain became absolute as a result of this dynamic.

Human Capital

Human capital is an essential element in establishing and maintaining a robust supply chain. The origins of the metals in mines required the Spanish to employ slave labor of conquered peoples. The encomiendas were forced labor practices whereby the Spanish used local native populations who were well acclimatized to the weather of the Mexican heat and the altitude of the Andes. In more accessible regions, the Spanish would also import African slaves to areas such as Northern Colombia. Human capital for gold and silver processing was accessible to the Spanish in the form localized slave labor.

Once the Spanish transported the gold and silver to coastal cities such as Cartagena, Puerto Bello, and Vera Cruz, the empire relied on the military chain of command to transport and protect the gold as they made it Havana and then to Spain.

The Spanish navies were financed by the treasures extracted from the Americas and represented a source of human capital integral to the supply chain.

In addition to production and transportation of the treasure from origin to destination, the Spanish treasury funded the production of supplementary inputs to the entire process. They paid for Spanish shipbuilders in port cities of Seville and Cadiz to produce the galleons, barques, sloops, and merchantman carracks needed to execute this maritime supply system. They had access to the goods produced by domestic Spanish labor which supplied their Caribbean and American outposts. They funded transportation of Spanish families across the Atlantic which were fundamental in the operation and localized expansion of their burgeoning colonies.

Finally, the Spanish nobility had a robust system of governorship under which the colonies would be administrated. They placed governors in each of their major hubs to oversee the welfare of not only their cities but their part in the Spanish supply chain. Part of this governorship required the human capital to populate the garrisons of the forts which guarded the harbors of towns like Cartagena, Cumana, Maricaibo, Havana, San Juan, and Santa Marta.

In short, the Spanish empire had the necessary human capital to execute their supply chain via forced local labor to produce the metal, Spanish navy to transport and protect the treasure, supporting industries to supply the inputs, and a series of Spanish administrators to govern the entire process.

Intra-organizational Relationship Magnitude

Intra-organizational relationship magnitude within a robust supply chain represents the degree to which the unique entities within the organization work cooperatively and communicate. The monarchical nature of power and reporting hierarchies allowed the Spanish empire to strengthen the intra-organizational relationship of their supply chain. Their intra-organization relationship was enhanced by both the accountability measures practiced at the time and the punishments for non-compliance. For example, Spain sent royal accountants to their royal outposts to ensure the proper distribution of goods and collection of tariffs. They ensured that treasuries were accounted for and that the king and queen received their agreed upon share of private expeditions, and the entirety of what they were owed from origin production. Ship captains were required to keep logs and bills of lading that were reviewed by the appropriate authorities at various stages in the process. These accountability measures contributed to intra-organizational relationship. A king or queen in Spain could reasonably account for their production and treasure from origin in the Americas, to coffers in Spain. What made these accountability measures so effective was the punishment for noncompliance. A royal accountant who identified mistreatment or misplacement of royal funds could identify and report a governor or official and subjugate them to deportation back to Spain. This was precisely the case with Columbus in 1500. He was sent home to Spain in chains where he defended his case with the Isabel and Ferdinand. The Spanish navy had severe punishments for mutiny and insubordination. These included death, flogging, and even relegation to Spanish penal colonies (Ortiz-Minaya 2014). The empire had demonstrated in the fifteenth and sixteenth century's vis-à-vis the Spanish Inquisition the ruthlessness and monarchial power that could use to enforce the rules. The combination of accountability and punishment for noncompliance contributed to the overall adhesiveness of the intra-organizational relationships.

Risk Management

A global supply chain faces a diverse set of risks due to disruptions, breakdowns, political factors, and disasters both natural and man-made, all of which complicate the process of assuring the safe passage of goods and making risk management challenging. Nowhere was this truer than what the Spanish faced while transporting riches from the New World to Spain. When looking at the Spanish risk management process through the lens of modern day risk management practices, we used the four categories of risk proposed by researchers (Manuj and Mentzer 2008; Christopher and Peck 2004) which were supply, demand, operational, and security. Figure 4 displays the interrelationship between the different types of risks.

For the Spanish, the risks were enormous to both the crown and the Merchants of Seville. By necessity, they became ingenious at developing risk mitigation strategies aimed at the primary challenges of the operational risk of inventory ownership; demand risk of competitor moves; and supply risks such as natural disasters, piracy, transit time variability, and confiscation by foreign adversaries.

The Spanish first line of risk management was to properly secure inventory ownership which was compounded by illegal smuggling, the stowage of gold and

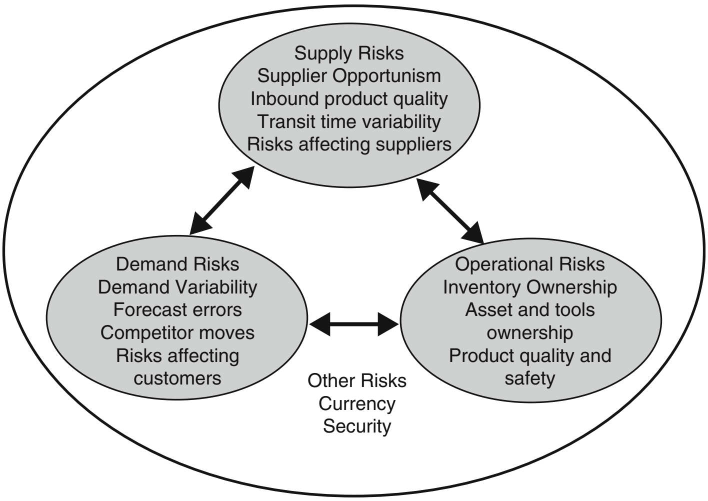

Fig. 4 Risks in Global Supply Chains. (Source: Manuj and Mentze (2008), p. 201)

silver aboard the Spanish ships. Responsibility for the safety of the gold and silver bullion lay with the *master de plata* (silver master) who was appointed by the Spanish Crown. This individual was chosen with great care and was obligated to post a bond of 25,000 ducats in silver with the Spanish officials. Multiple copies of the cargo manifest were developed as precautions against smuggling and to certify property ownership. Two were sent in ships other than the one carrying the treasure, one stayed behind, and one went with the actual ship carrying the gold and silver. These precautions were developed to expedite accounting should a disaster befall the ship or the entire fleet of ships (Peterson 1975). In theory, the cargo manifest should have listed each and every ounce of gold and silver going to Spain and had to be accredited as tax-paid. However, viewed by the Spanish officials, tax evasion and smuggling had grown so pervasive that The Law of 1580 was enacted stating any ship captain or officer caught in the act would have their bullion confiscated and be held liable in full to the ship owner. By 1593, the offense of smuggling was punishable by the loss of position for 4 years and should the offender prove to be an everyday seaman, they were consigned to the galleys for that amount of time. Those on the receiving end of unregistered bullion, often the Seville Merchants, would have their property seized by the Crown and banished from Spain and all Spanish territories. The Spanish Crown and the Seville Merchants in effect ran a monopoly and was determined to hang onto that monopoly at all costs.

The Spanish treasure fleets were subject to demand risks created by competitor's moves of piracy and confiscation by foreign adversaries. Barbour (1911) contended that the majority of those acting against Spain were privateers, in essence entrepreneurs seeking Spanish treasure through violent means while sailing under letters of marque or retribution, which gave them legal authorization to appropriate Spanish ships and the goods they carried. Spain's foreign competitors, the French, Dutch, and English, freely issued letters of marque in concerted efforts to capture a portion of the Spanish treasure being repatriated to Spain. While there were occasions of pirate buccaneers of fictional lore, they made up a small portion of the assaults committed in the Indies and Caribbean.

To combat these strategic adversarial moves, according to Walton (1994), the Council of the Indies in 1560s issued operational directives that governed the shipping of New World treasures to the mother country. These proclamations included extensive Spanish naval patrols in areas vulnerable to attack; primarily the Caribbean and the Atlantic waters off the coast of Spain; and initiating a system of regularly scheduled Spanish convoys that were heavily guarded. Large fleets including merchant ships and protective warships traveled in these convoys. Smaller craft accompanied the convoy to carry messages and scout surrounding waters (Walton 1994).

The Spanish had to contend with the supply risk of primitive navigation techniques and weather that impacted their continuous logistics flow. Maritime navigation in the fifteenth, sixteenth, and seventeenth century was archaic by today's standards. Seafarers had long possessed the ability to measure latitude, how far north or south they were from their home. However, determining their longitude –

their position east or west from a given point – was a challenge. The sailor could determine the local time by the position of the sun, but without a clock that had the ability to function despite corrosive elements and the rocking of a ship, it came down to a guess as to how long they had been traveling east or west (Schuler 2014). Despite, or perhaps because of these primitive navigation techniques, the treasure fleets developed the practice of departing for Spain from Havana, following the Gulf Stream north before turning east toward Spain. While the Spanish utilized enormous risk mitigation strategies to combat piracy and hostile action by foreign competitors, the most serious threat to the successful passage of the treasure ships was the weather. While weather conditions were generally better during the summer months, the warm waters of the Atlantic could spawn hurricanes. The Spanish lost ships to Caribbean storms in 1590, 1591, 1601, 1605, and 1614 (Walton 1994). Without the aid of modern day satellites, radar, GPS systems, and electronic depth finders to detect shoals and reefs, the best the Spanish could do was recognize through hard lessons, the time of the year that gave them the best chance of good weather and safe passage to the deep waters of the Atlantic. Should a weather related disaster or similar catastrophe occur, the Spanish Crown and the Seville Merchants utilized various contingency plans to mitigate the supply side risk of defaulting on the loans that financed the treasure fleets. Clauses were written into the loan contracts that allowed for the suspension of payments should a sizeable, unanticipated event occur and debt restructuring including the extension of the debt, alteration to the interest rate were common (Drelichman and Voth 2014).

Despite these risks and challenges, the Spanish Empire had a major impact on shaping the world economy. The European-style monetary system became the model in the western hemisphere. The treasure fleets first linked the continents together. The Spanish system was a success primarily because it met the needs of two forceful and influential factions: the Spanish Crown and the Merchants of Seville.

Node Criticality

There were three nodes, critical points where the Spanish logistics aspect of their supply chain system intersected. The first, node 1, were the main collection points of Vera Cruz, Panama, and Cartagena where the extracted and processed gold and silver was delivered from mines scattered throughout the Spanish America. The second, node 2, was the primary gathering point in Havana where shipments from node 1's were collected, stored, inventoried, and ultimately loaded onto ships bound for Spain. As characterized by Adenso-Diaz et al. (2012), critical nodes as shown in Fig. 5 are those that would cut the primary flow of the commodity if they were shut down. An argument could be made that a 3rd node could exist anywhere along the route of the Spanish treasure fleet once departed from Havana due to risks posed by weather, attack by privateers or pirates. The Spanish, however, took great care to control what they could control in the logistics flow of wealth from the New World to Spain.

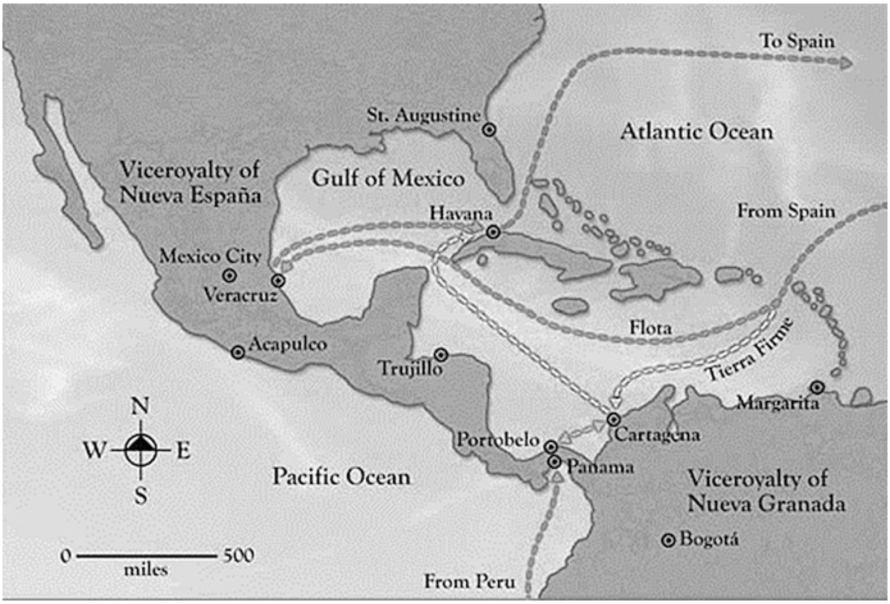

Fig. 5 Node Points: Spanish Supply Chain. (Source: Florida Department of State. Retrieved from http://info.flheritage.com/galleon-trail/plateFleets.cfm)

Bargaining Power

According to Campbell (1998), a significant goal of supply chain management is to reduce uncertainty and create optimum conditions for long-term continuity, factors important to those responsible for the movement of gold and silver from the New World to Spain. Due to the monopoly held by the Crown and the Seville Merchants, one might ask "What bargaining power?" But when viewed as the need for task interdependence by Spanish miners, processors, transporters, and sailors operating in a challenging environment, thousands of miles from home, the subject takes on a different perspective.

Thompson (1967) argued that three types of task interdependencies exist – pooled, sequential, and reciprocal. Pooled interdependencies occur when various parties do not need to coordinate their activities. An example would be a merchant and its suppliers. Once orders are placed, it matters only to the owner of the shop when supplies are delivered and little coordination between vendors is required. This is not the case when moving large quantities of metals across long distances fraught with uncertainty. Sequentially interdependent tasks arise when one participant's job must be finished in order for the next participant's job to begin, which necessitates arrangements and schedules. Thus was the movement of New World riches to Spain which required the coordination of sequentially interdependent tasks. Once the gold and silver was mined and processed, it required coordinated movement to the major gathering points of Mexico City, Vera Cruz, and Cartagena. Sequentially, the processed New World riches

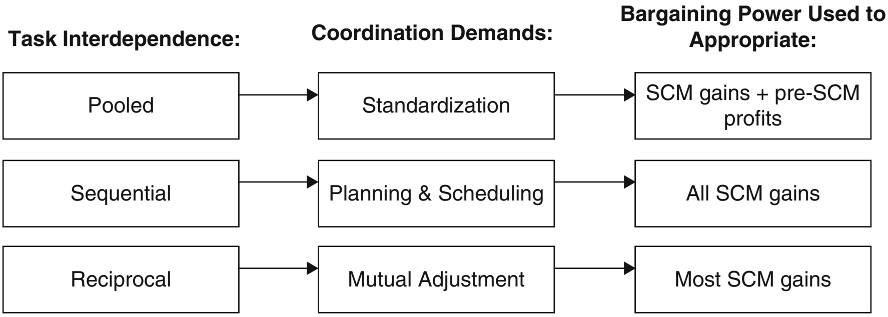

Fig. 6 Connection between task interdependence, needs for coordination, and bargaining power. (Adapted from Crook and Combs 2007, p. 549)

moved to Havana and then onto Spain. Each step of the process needed the prior step to be completed and required coordination of totally different tasks and ran on prearranged schedules. Reciprocal interdependence happens when organizations require the involvement of other people or units of operation (Thompson 1967). Reciprocal tasks most likely occurred where New World riches were mined and processed. The connection between task interdependence, needs for coordination, and bargaining power is shown in Fig. 6.

Crook and Combs (2007) pointed out that sequentially interdependent tasks require a heightened need for planning and the sequencing of events as one group's outputs becomes the next in line's inputs. It was in the best interests of all parties involved in the process of moving gold and silver to Spain to function together and deliver optimal performance under trying conditions. Bargaining power, defined by Bush (2016) as the ability or power to impact another, was likely minimal as long as the process flowed smoothly and supply chain management profits maximized. Every member of the logistics system, large or small, reaped profits and were controlled by the dual monopolies of the Spanish Crown and the Merchants of Seville.

Visibility

The scope of the Spanish global exploration, colonization, and exploitation of New World riches was breathtaking. Despite the limitations of navigation systems of the day and communication between the New World and Spain that relied totally on maritime travel, the factor of visibility played a role in the function of the Spanish supply chain management system. According to McCrea (2011), visibility in the logistics and supply chain process is when all parties, the shippers, the various business associates, and end users know where products are within the supply chain – from raw materials to the final destination. Modern day enterprise resource systems (ERP) integrates the shipper with the supplier and enables both parties with a click of a few computer keys to check on the status, location, and anticipated deliver of a particular order. This was not the case when it came to managing the process of moving gold and silver from the New World to Spain.

To understand the Spanish approach to managing the timing of the activities of mining, processing, overland transportation, and final shipment of gold and silver to Spain, it is useful to view this process through Vernon's (2008) definition of visibility in supply chain management as the "*identity, location and status of entities* transiting the supply chain, captured in timely *messages* about *events*, along with the *planned and actual dates/times for these events"* (p. 182). The entity in the Spanish movement of riches was the specific product (gold, silver). Identity was the system with which the Spanish coded the shipment components (Crowns portion, Saville Merchants portion). Location was where the product was in the process of movement from the mines to Spain. A visibility event was when a specific function within the process was completed and the next function began, i.e., movement from the mine and process site to the gathering site, overland movement to the primary shipment sites, and finally, onboard a ship headed to Spain. Planned and actual dates refer to when an event was to take place (Vernon 2008). In the 1560s the Council of the Indies decreed rules and regulations that stipulated procedures for the operation of the fleets between Spain and the New World. This edict required accelerated naval patrols in the critical areas of the Caribbean and the Atlantic waters off the shore of Spain, exposed areas where the treasure fleets initiated and completed their voyages and stipulated the timing of the sailing of two enormous convoys that departed from Spain each year filled with supplies and laden with New World riches on their return. Three factors were calculated into the timing of their sailing: (1) take advantage of the winds and currents, (2) bypass the steamy heat of the summer, and (3) attempt to sidestep the powerful storms, including hurricanes in the fall and winter which ultimately proved to be the most significant threat to the Spanish treasure fleet system (Walton 1994).

Network Complexity

Harland et al. (2003) concluded that as the complexity of the supply chain network increased, risk increased. As noted by Durach et al. (2015), two key factors add to an increase in network complexity: (1) the greater the number of nodes within the supply chain, (2) the supply chain tends to become ever more protracted and complex. In the case of moving New World riches to Spain, the Spanish were able to limit the number of nodes, but due to the sheer length of their supply chain and the challenges posed by primitive navigation devices, nonexistent communication systems, the constant threat of privateers, and unpredictable weather, the Spanish supply chain was complex. The overall success of the Spanish treasure fleets was a testament to Spanish ingenuity, courage, and planning.

Long-Distance Trade and the Development of Capitalism

Spanish activity in the New World, spawned by the discovery of gold and silver, marked a significant leap forward in the development of a global economy. For the general masses of the European population, commerce continued in its most basic form, the local market where merchants bartered their goods in exchange for other goods or exchanged their wares for money. Some international trade, the merchants of the Italian states, for example, might have purchased goods in their locale, re-sold them in Egypt, used the proceeds to acquire spices, peppers, and other highly desirable commodities, to be re-sold in Italy at a profit. This mechanism represents what Braudel (1992) called a trade zone or market. According to Cetina (2006), the evolution of international trade required the development of long supply chains and intermediaries, a business model quite different from central markets. This trading process passed through an expanding maze of import-export merchants, financiers, and commercial adventurers who were not producers but brokers who locate, purchase, and stock goods to resell at a later date to consumers and other traders at the end of a supply chain. As the global economy developed, trading networks dominated by powerful groups were established inside and outside Europe. Charter trading companies emerged including the East India Company and the Hudson's Bay Company who subsequently built far-reaching international trading domains that focused on trade rather than the production of goods (Gereffi 2005).

Boxer (1969) argued that true world trade came about when a maritime connection was established with the four great continents with silver as the catalyst. China became the predominant buyer of silver when they converted from a paper-money system to silver in the 1570s. Silver flowed to China via three trade routes: (1) across the Atlantic to Europe and on to Asia, (2) from Europe around the African Cape, and (3) Mexico to Manila, to China. On the production side, Spanish America produced over 150,000 tons of silver between 1500 and 1800, likely more than 80% of the world output. Conventional thinking was that the driving factor behind the flow of silver to China was the European's desire for Asian luxury goods such as silk and porcelain which created a trade deficit that had to be settled. Contrarily, Flynn and Giraldez (1995) contended that the switch of more than a quarter of the world's population to the use of silver as currency contributed to a situation where silver's value in China was double its value in other parts of the world and gave birth to world trade. Irrespective of the ultimate cause, world trade blossomed and can be measured as seen by the rapid growth of European cities located along the Atlantic seaboard. Between 1600 and 1750, 40% of urban growth in Europe took place in just 15 Atlantic port cities (de Vries 2007). Intercontinental trade grew from approximately 2500 tons in 1501, approaching 800,000 tons in 1795 as illustrated in Fig. 7.

Braudel (1992) wrote that long-distance trade was a significant factor in the evolution of merchant capitalism and that the import-export merchants were a category apart. The risks of long-distance trade were extraordinary, but outlandish profits based on the price differences between markets far apart were the rewards of success. Supply and demand were not factors and controlled solely by the merchant wholesaler. A striking example of extravagant profits was "a kilo of pepper, worth one or two grams of silver at the point of production in the Indies, would fetch 10–14 grams in Alexandria, 14–18 in Venice, and 20 to 30 in the consumer countries

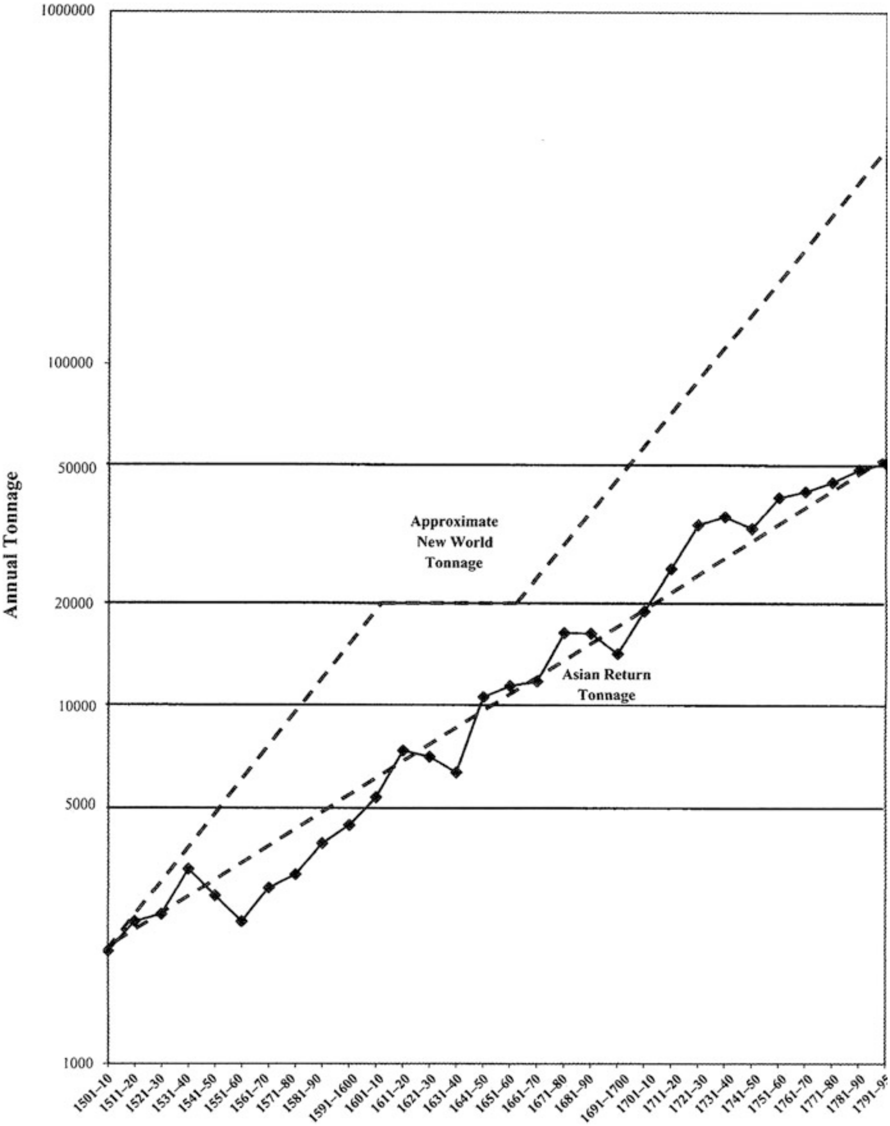

Fig. 7 Intercontinental trade. (Adapted from De Vries 2010, pg. 26)

of Europe" (Braudel 1992, p. 405). Sizeable profits were not the sole domain of luxury goods. Commodities including grain, wool, and manufactured cloth made their way through various trade routes and the contrast between the purchasing and selling prices was so great, that even factoring the cost of transport, the profits were sizeable. As noted by Braudel (1992), the preeminence of the import-export merchants and long-distance trading were crucial factors in the development of merchant capitalism and the establishment of the merchant bourgeoisie.

New World Riches and the Impact on the Iberian Peninsula

Vilches (2010) wrote that the flood of gold and silver from the New World created a serious problem, price inflation on the Iberian Peninsula. Money was no longer simply a medium of exchange with a fixed and intrinsic value. Gold and silver became a commodity that could change in value based on supply and demand. Several scenarios unfolded that proved consequential. First, as the New World Spanish colonies matured, they required textiles, paper, and other manufactured products. Spain could produce just a fraction of the goods required by their overseas conquests which meant Spanish merchants had to seek products produced outside of Spain for re-export to Spanish colonies. The result was reduced profits, Spanish silver now going to foreign markets, and tax revenues experiencing a sharp decline. Second, Spain's aggressive foreign policy required huge amounts of money sent abroad to support its fleets and expansionist plans. Third, less than productive uses of Spanish riches ensued including a series of seemingly unending foreign wars, state debt, and excessive bureaucracy, all of which began crippling the Spanish economy (Walton 1994).

By the end of the seventeenth century, Spain was in decline. The French, Dutch, and English had aggressively colonized the Americas and Spain was being outmaneuvered by her fierce rivals politically and economically. War, exodus to the colonies, and famine contributed to a Spanish population decline of two million in 1700 from the start of the quest for New World riches in the early 1500s. Poor political decisions by an administration run by lawyers, aristocrats more inclined to showcase their wealth, and former military officers proved inadequate in developing programs and economic policies capable of revitalizing the country. As the century wore on, the Spanish Crown continued in a series of wars that required borrowing massive money from foreign bankers. Finally, an ongoing series of suspension of loans and suspension of payments led to Spain's creditors to cease loaning money to the Spanish Crown.

Conclusion

The Atlantic trade spurred by the Spanish quest for gold and silver played a significant role in the development of a new global economy. According to Acemoglu et al. (2002), Atlantic trade delivered significant profits to a segment of European merchants, the bourgeoisie. With these profits, the bourgeoisie were able to increase their investments, expand their trading, and grow the economy. On a grander scale global trade began when the major continents of the world began the routine transfer of goods on more or less a continual basis (Flynn and Giraldez 1995). While these achievements were inevitable, they were hastened by the courageous and ingenious Spanish system of logistics and supply chain management. One can argue that the Spanish were also responsible for the demise of a significant portion of the indigenous native population as they institutionalized their processes of moving New World riches to Spain. Acknowledging this fact and leaving further exploration into this subject for another essay, one can visualize the dramatic changes that ensued post the rush for New World riches. The amount of foreign trade had become so immense that it became more and more challenging to clear international accounts. The discovery of gold in North America, the invention of ships made from metal and driven by coal-powered steam engines dramatically altered seaborne transportation. The emergence of alternate means of a money that included paper, letters of credit, the electronic transfer of funds and the United States bowing out of the promise to redeem its currency for gold were economic factors resulting from the long-ago Spanish quest for New World riches. This quest for riches compelled the Spanish Empire to adopt innovative supply chain practices, which reflect the basic framework of what modern scholars consider a robust supply chain.

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Transformation: The First Global Economy, 1750–1914

12

Bradley Bowden

Contents

Abstract

In 1750, most of the world's population lived in conditions that were little changed from time immemorial. In the absence of mechanical cloth production, most people only owned one or two sets of clothes. The cost of all forms of land transport meant that the bulk of production was geared towards local markets. By 1914, however, a totally new world had been created. Across the globe, steam-powered ships and railroad locomotives brought people and goods from near and far. As a global market emerged, competition increased inexorably. In the final analysis, the new global economy was both the creation of new systems of management and the creator of modern management. Initially confined to textile production, a revolution in both technology and management cascaded through the economy. As competition increased, management became more attuned to costs. Managers also sought after increased productivity so as to maximize outputs from a minimum of inputs. Increases in production also led to a spike in real wages. Wage gains, however, were incapable to quelling a rising tide of labor

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unrest, revealing the "human problem" to be management's major unresolved difficulty.

Keywords

Globalization · Industrial revolution · Chandler · Taylor · Technological change · Real wages · Trade unions

Introduction

In 1920, John Maynard Keynes penned what is undoubtedly his most readable book, a work that was also in many ways his most profound: *The Economic Consequences of the Peace*. "Before 1870," Keynes (1920: 7) recalled, the population of Europe, "taken as a whole . . . was substantially self-subsistent." "After 1870," Keynes (1920: 7) continued, "an unprecedented situation" prevailed in which the fate of the European "Old World" became intertwined with the New World. In reflecting on this process of integration, Keynes (1920: 9) remembered how a London resident such as himself,

> . . . could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world.

Although Keynes was clearly describing the circumstances that prevailed at the top of the British social hierarchy, he also believed that the new global economy opened up new opportunities for social mobility. Any person, Keynes (1920: 9) reflected, "of capacity or character at all exceeding the average" was capable of joining "the middle and upper classes, for whom life offered . . .conveniences, comforts and amenities beyond the compass of the richest and most powerful monarchs of other ages." In Keynes's estimation, the economic relationship between Europe and North America lay at the core of this global economy. Indeed, Keynes (1920: 20) noted, the "prosperity of Europe" was unimaginable without "the large exportable surplus of foodstuffs in America." Nor was the prosperity of the new world order conceivable in the absence North America's immigrant population, peoples of mainly European extraction who farmed the land and built "the railways and ships which were to make accessible to Europe food and raw products from distant sources" (Keynes 1920: 8).

In summation, Keynes's argument was that the modern world with its systems of management, business organization and commercial exchanges only began in the 1870s. By contrast, for the noted management historian, Sidney Pollard (1965: 1), "the genesis of modern industrial management" was found in the Industrial Revolution that occurred in Great Britain between 1760 and 1830. The association of modern forms of work and management with the Industrial Revolution is a common one. Adam Smith (1776/1999: Book 1, para. 5), in one of the opening paragraphs of

The Wealth of Nations, ascribed the "great increase of the quantity of work" to not only "the division of labour" but also to "the [recent] invention of a great number of machines which ... enable one man to do the work of many." Karl Marx and Frederick Engels also believed that by 1848, industrialization had fundamentally changed the human condition. The result, Marx and Engels (1848/1951: 36) argued, was, "Constant revolutionising of production, uninterrupted disturbances of all social conditions, everlasting uncertainty." If, however, Pollard, Marx, and others ascribe the origins of modern management and capitalism to the industrialization of Britain, Alfred Chandler famously argued a different position. In Chandler's (1977: 3) opinion, "as late as 1840 there were no middle managers in the United States." Nor was there evidence prior to the 1840s, in the United States or elsewhere, of the modern "multiunit business enterprise" (Chandler 1977: 49). The reason for the slow emergence of modern managerial and business forms of organization, Chandler (1977: 49, 78) believed, was largely "technological." Only with the coming of railroads and telegraphs did the world witness, for the first time, genuine mass markets that demanded greater levels of coordination, both internally within the firm and externally in firm-market relationships.

From the preceding paragraphs, we can discern three broad arguments:

1. That modern systems of management owed their origins to the Industrial Revolution in Britain (1760–1830).
2. That modern forms of management and business only emerged when new forms of transport and communication allowed for mass markets (1840–1880).
3. That the modern world of global capitalist exchanges was a product of a unique set of circumstances that prevailed between 1870 and 1914.

How can we balance these competing arguments which reflect the opinion of some of the greatest minds in economics (Smith, Marx, Keynes) and management and business history (Pollard, Chandler)?

A good place to start is to look at some key measures of economic and managerial progress. Throughout history, the basic requirements for human existence have always been the same: food, clothing, shelter, and heating (both for cooking and warmth). Of these, clothing was historically the most difficult to achieve. Producing a set of clothes from spun fibers was always an inherently time-consuming and expensive business. Throughout history, in consequence, most people only possessed one or two sets of clothes, creating an insatiable demand for second-hand clothes. In the Middle Ages, as we noted in our earlier ▶ Chap. 9, "From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750," "Peasants were always clothed in rags . . .During epidemics of plague . . . people waited for others to die to take their clothes" (Cipolla 1981: 31–32). Given the demand for cloth, the consumption of wool, cotton, and flax fibers provides a gauge of a society's capacity to meet a basic need. Historically, Britain's manufactured exports, like those of neighboring Flanders, were largely associated with woolens. Even though cottons gained a preeminent position during the Industrial Revolution, the output of woolen mills also increased, forcing Britain to import wool from Spain and

Saxony (Germany). British wool imports, therefore, provide a measure of not only British textile production but also of the logistics chain created to service factory demand. With this in mind, a perusal of Fig. 1, which traces wool imports in millions of pounds between 1835 and 1906, highlights two things. First, by 1845, Spanish and German growers were being forced out of the market. Australasian (Australian and New Zealand) producers now dominated. Secondly, that post-1855 imports – and hence production – were of a different order of magnitude to anything seen before.

The same broad pattern is evident when we turn our attention, as we do in Fig. 2, to the quintessential industry of the Industrial Revolution: cotton textiles. As most business and management historians would be aware, the invention by Eli Whitney of the "cotton gin" – which quickly and easily separated cotton lint from seed – provided cotton growers and manufacturers with an unexpected boost. In the United States, which came to dominate world cotton production, exports grew from a mere 138,328 pounds in 1792 – the year before the introduction of the first cotton gin – to almost 17.8 million pounds in 1820 (Thomas 1997: 569). From this point onwards, American exports and European (largely British) cotton manufacture advanced hand-in-hand. Once more, therefore, production of a resource staple is a pointer to both the level of industrialization and the complexity of the global supply chains that supported manufacture. As Fig. 2 indicates, the increase in the United States cotton exports was extraordinary, the slave-based workforces of the American South underpinning the expansion of British manufacture. By the 1850s, as managerial efficiencies accumulated all along the logistics and manufacturing chain, the price of

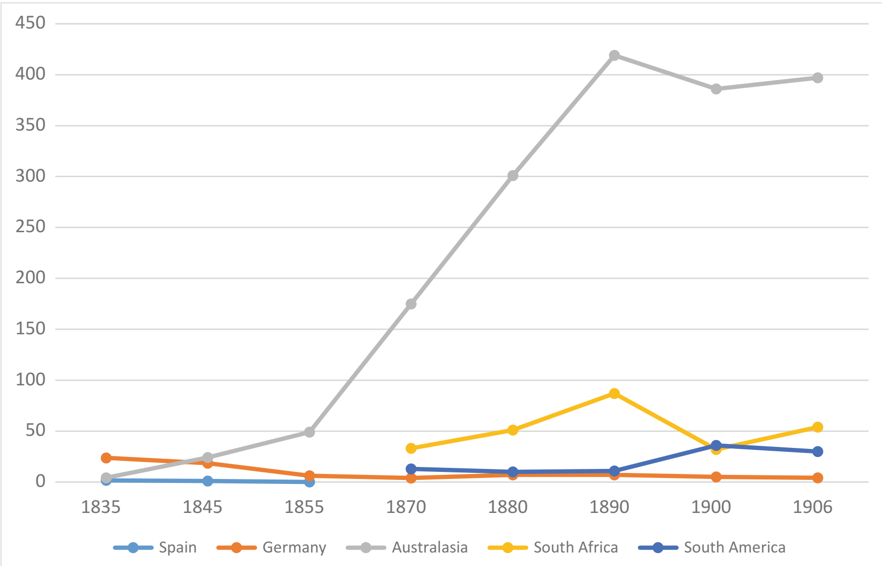

Fig. 1 British wool imports, 1835–1906 (in millions of lbs). (Sources: Clapham 1932/1967: 6; Ville 2005: Table 3; Knibbs 1909: 293)

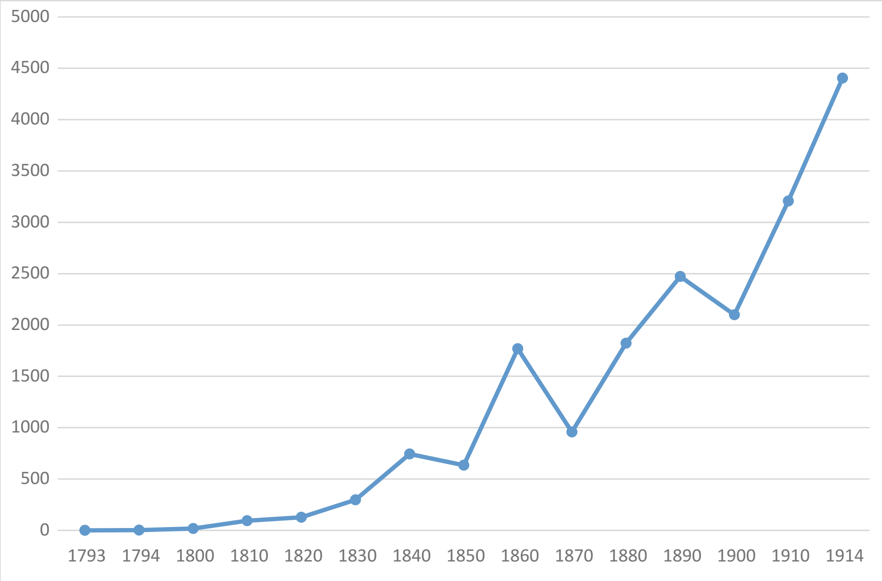

Fig. 2 The United States cotton exports, 1793–1914 (in millions of lbs). (Source: U.S. Department of Commerce 1975: Series U 274–294)

a piece of British cotton cloth fell to five shillings. In the 1780s, the same piece of cloth would have cost 40 shillings (McCloskey 1985: 59). It is, however, the process of post-1850 expansion that it most remarkable. As the United States cotton exports rose almost sevenfold between 1850 and 1914 – even as ever-increasing volumes of fiber were consumed by America's domestic factories – breathable and washable cottons came within the reach of the ordinary person for the first time (U.S. Department of Commerce 1975: Series U 274–294).

What explains the marked spike in the New World export of both woolen and cotton fiber after 1850? In brief, a revolution in shipping. Although wooden paddle steamers worked the Atlantic routes prior to the 1850s, they restricted their business to high-value passenger and mail services. By 1850, however, higher quality steel allowed for the construction of high-pressure "compound" (i.e., multiple cylinder) engines. Iron screw-propulsion also proved more efficient than side paddles. Greater production of iron and steel allowed for all-metal construction. The efficiency of the new technologies was demonstrated with the construction of the first iron ship using propellers instead of paddle wheels, the collier *James Bowes*. Undertaking its maiden voyage in June 1852, the ship hauled more coal in 5 days than two sailing ships could have carried in a month (Clapham 1932/1967: 71). By the mid-1860s, even though the tonnage of Britain's sailing ships outnumbered that of the nation's iron-bottomed ships by more than five to one, it was the latter that carried most cargo (Clapham 1932/1967: 71). The success of Britain's iron and steel ships rested, in the first instance, on a revolution in shipbuilding. Indeed, by 1870, shipbuilding represented the apex of Britain's industrial prowess, the typical shipyard employing 570 workers – far more than was the norm in either textiles or the iron and steel industry (Clapham 1932/1967: 116–117). The impact of this revolution in shipping on the all-important Atlantic routes – and by implication on routes connecting Europe with Asia and Oceania – can be ascertained by Fig. 3 which records the tonnage of ships calling in to the United States ports between 1790 and 1914. Once more, 1850 marks a fundamental turning point, the tonnage entering port growing by 221% across the decade. Interrupted by the Civil War, this spike in shipping – carrying migrants to the United States and grain, beef, and minerals to the Old World – continued until 1914 and beyond (U.S. Department of Commerce 1975: Series Q 506–517).

The revolution in shipping, which allowed for a massive expansion in the oceanic transport of people and produce, rested in the final analysis on a dramatic increase in iron and steel production, an increase that was only possible due a revolution in coal mining. As we noted previously in ▶ Chap. 9, "From Feudalism to Modernity, Part I: Management, Technology, and Work, AD 450–1750," much of the explanation as to why Britain was the initial pacesetter in the Industrial Revolution is found in its successful exploitation of its coal deposits. By 1700, as John Nef (1932/1966: 322) recorded, "The entire production of the rest of the world did not perhaps amount to much more than a sixth of that of Great Britain." From the 1830s, the extraordinary British achievement was matched by the United States, as coal production in both nations soared to unprecedented levels. As Fig. 4 indicates, which traces British coal output from 1560 and the United States production from 1820, an outwardly peculiar

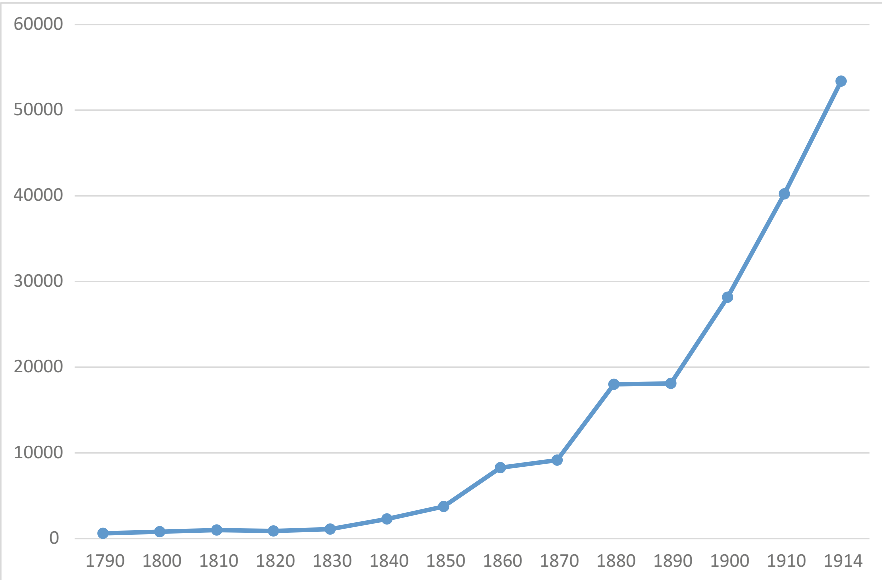

Fig. 3 Shipping tonnages at the United States ports, 1790–1914 (in thousands of tons). (Source: U.S. Department of Commerce 1975: Series Q 506–507)

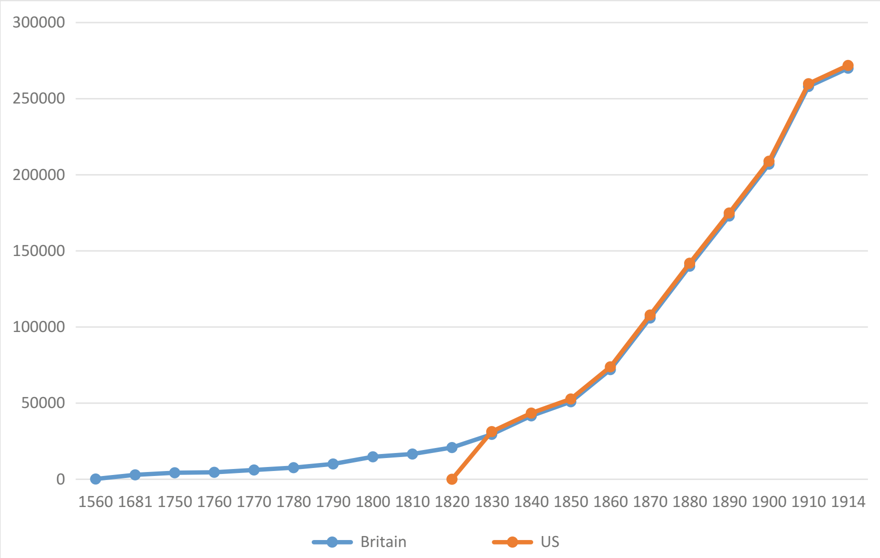

Fig. 4 British and the United States coal output, 1560–1914 (in thousands of tons)*. *British figures for period 1560–1914. The United States figures for period 1820–1914. (Sources: Pollard 1980: 216, 229; UK Department of Business, Energy & Industrial Strategy 2019; U.S. Department of Commerce 1975: Series M 93–103 and Series M 123–137)

feature of this expansion was the way in which British and the United States production rose in almost perfect tandem from 1830 to 1914. In 1860, for example, the United States production (73.9 million tons) shaded that of Britain (72 million tons) by the barest of margins. In 1914, on the eve of the First World War, a similar situation still prevailed, the United States output (271.9 million tons) exceeding that of Britain (270 million tons) by an inconsequential amount (Pollard 1980: 216, 229; UK Department of Business, Energy, and Industrial Strategy 2019; US Department of Commerce 1975: Series M 93–103, Series M 123–137). This unusual outcome is, however, suggestive of something more than historical coincidence. Rather it points to similar levels of demand, pursued with similar levels of managerial ingenuity, exploiting similar technological advantages.

In returning to the theoretical problem enunciated in our opening paragraph – i.e., was the first truly global economy a product of the Industrial Revolution (c.1750–1830) or of subsequent developments associated with revolutions in transport and communications? – we can conclude that Pollard, Chandler, Keynes, Smith, and Marx were all correct in emphasizing one *stage* of what was in effect a cascading series of interconnected revolutions. Initially, small technological improvements in textile manufacture caused entrepreneurs in Australia, New Zealand, and the United States to initiate managerial innovations that increased supply to the expanding factories. A growth in global logistics chains caused improvements in shipping. The growing importance of steam-powered ships and railroad locomotives in the logistics chain was, in turn, only possible due to gains in iron and steel production; additions that rested upon a massive increase in coal output.

At first glance, it appears possible to explain the "first global economy" simply through reference to market economics, proof that a market economy is inherently superior to all others in bringing forth innovation and in matching supply with demand. While there is truth in this supposition, it is nevertheless the case that – as Keynes, Chandler, and Marx emphasized –the new global (and even national) markets were as much a creation of this period of history as a creator. In the final analysis, the gains made between 1750 and 1914 were ones made by people: not impersonal market forces. Moreover, every significant advance required a managerial revolution. It is certainly folly to think of the transformation underway by 1750 in terms of "technological determinism," i.e., as a simple and inevitable flow-on from technological innovation. Nor is it correct to see the cascading series of revolutions that occurred between 1750 and 1914 as simply a product of steam power. For technological and managerial innovation manifested themselves in very different ways in different industries. The massive increase in Australasian wool exports that we identified in Fig. 1, for example, owed very little to steam power and much to a far more prosaic innovation: barbed wire. Realizing that in the benign Australian climate that sheep could be left overnight without protection, pastoral managers dispensed with shepherds, initiating instead a massive fencing project. In the then British colony of New South Wales alone, some 2.6 million kilometers (1.625 million miles) of fencing was built between the 1870s and the 1890s (Glover 2008: 32). Once completed, this fencing project eliminated the need for a significant pastoral workforce outside of the lambing and shearing seasons, when casual labor employed on piece rates was hired. As employment opportunities plummeted, the number of sheep soared, growing from 16.5 million in 1862 to 89.3 million in 1892 (Butlin 1964/1972: 67). This happy managerial outcome made the Australian pastoral sector the most efficient in the world. Despite employing a comparative handful of people, in 1886–1900 it was responsible for 12.8% of Australia's gross domestic product (GDP). By contrast, the agricultural and manufacturing sectors, each of which employed far more people than the pastoral industry, were responsible for only 5.8% and 11.8% of Australian GDP, respectively (Butlin 1964/1972). In shipping, as well, the gains evident in Fig. 3 would have been impossible without a profound transformation on shipboard patterns of management and work. For the addition of steam power and screw-propulsion required the creation of an entirely new job hierarchy built around technical rather than traditional maritime skills. In turn, this demanded new systems of training, supervision, motivation, and shipboard communication, as those working below deck came to outnumber those employed above deck [Note: Between 1980 and 1988, the author worked as a seafarer both above and below deck on Australia's last commercially operated steamer].

One of the problems associated with assessing the global economy between 1750 and 1914 is that we are dealing with not only economic and managerial relationships but also political and imperial relationships. In essence, the global economy during this period was primarily directed towards the needs of the industrial districts of the

Atlantic littoral, regions that sucked in foodstuffs and raw materials and spewed out an ever-increasing stream of manufactured products. In the economic relationships created by this pattern of demand and supply, it is a mistake to frame all our thinking in terms of dominance and subservience. Certainly, the wheat farmer on the United States prairies, and the woolgrower in Australia's continental interior, would have taken umbrage with any suggestion that they were subservient to the British wholesaler who purchased their annual output. In such circumstances, a better descriptor of the economic relationship would be interdependence. When we turn our attention to the placement of Africa, the Indian subcontinent and East Asia in the new global economy, however, we are dealing with societies that – if not subject to actual military occupation – were the victims of unequal and militarily imposed treaties. In the continental interiors of Australia and the Americas, and in Oceania, indigenous populations faced the destruction of their traditional ways of life even as many traded with local representatives of the new economic order. In reflecting upon this fact in his oft maligned, *The Clash of Civilizations and the Remaking of World Order*, Samuel Huntington (1996/2003: 51) made the pertinent observation that:

> The West won the world not by the superiority of its ideas or values or religion (to which few members of other civilizations were converted) but rather by its superiority in applying organized violence. Westerners often forget this fact; non-Westerners never do.

Yet, even if unequal, economic relationships between the West and the established societies of Africa and Asia offered the latter benefits as well as subjugation. In the wake of the European armies trailed administrators, railroad engineers, bridge builders, doctors, and teachers. In India, British conquerors built the subcontinent's first railroad in 1853. By century's end, the region boasted 38,400 km (24,000 miles) of track. "In the space of a generation," Ferguson (2008: 169–170) observes, the railroads "transformed Indian economic and social life: for the first time, thanks to the standard third-class fare of seven annas, long-distance travel became a possibility for millions of Indians."

What is clear is that, by the closing decades of the nineteenth century, there was barely a corner of the globe that was not – for better or worse – part of the new international economy.

Industrial or Managerial Revolution? Britain, 1750–1830

Discussion of Britain's Industrial Revolution immediately conjures up William Blake's (1808/1969: 481) image of "dark Satanic Mills" consuming "England's green and pleasant land." For William Wordsworth (1814/1853: 297), as well, the new industrial factory was the embodiment of evil, "the master idol" that demanded "perpetual sacrifices" of "Mothers and little children, boys and girls." In fact, the Industrial Revolution that occurred between 1750 and 1830 owed more to managerial innovation than it did to steam power, McCloskey (1985: 66) describing it as "an age of improvement" in which managers maximized the benefits obtained from a comparative "handful" of technological innovations. Even in cotton textiles, where mechanization advanced the most, only spinning witnessed the virtual elimination of hand-powered tools between 1750 and 1830. Other production process remained the preserve of traditional technologies. One survey, conducted in 1830, estimated the number of power looms in cotton weaving across England and Scotland at no more than 60,000. By contrast, there were still 240,000 handlooms in operation (Clapham 1926/1967: 143).

The idea that the new textile mills were reliant on an unscrupulous use of child labor is also a misnomer. Yes, it is true that the early mills did scour orphanages in search of labor, adults showing an initial reluctance to enter into factory life. As mechanization took hold, however, children were found ill-suited to factory work, where increases in productivity were associated with literacy and training. By 1851, only 30% of English and Welsh children between the ages of 10 and 14 worked. Of those who did, only 15.4% of males and 24.1% of females were found in factories. Among girls, a greater percentage (25.3%) worked in domestic service, an industry where long hours and the likelihood of abuse were arguably worse than in supervised factory work. For boys, agriculture – an industry with many assorted perils – was the principal employer, giving work to 34.6% of those aged between 10 and 14 who were in some form of employment (Kirby 2011: 122–124). Spared work, a majority of children increasingly enjoyed something unique in history: a childhood devoted to schooling. Unlike children, however, who were soon displaced from factory work, females retained a long-term presence in textile manufacture. In 1851, when the first reliable occupational census was conducted, the 272,000 female cotton workers easily outnumbered the industry's 255,000 males (Clapham 1932/1967: 24). For early Victorian England, this large female industrial workforce was a source of national shame, provoking royal commissions and protective legislation. These female workers were, however, arguably more beneficiaries of the Industrial Revolution than victims. As the great English labor historian, E.P. Thompson (1963: 452–453) noted, the "abundant opportunities for female employment . . . gave women the status of wage-earners." In consequence, the "spinster," the "widow," and the "unmarried mother" were able to free themselves in large numbers from a reliance on male relatives.

On the demand side, the key driver behind the initial take-off of mechanized cotton manufacture was not domestic need but rather the circumstances that prevailed in the Atlantic slave trade. In this highly profitable trade, the principal item exchanged for slaves was textile fabric, Thomas (1997: 318) estimating that before 1750 some 85% of British textiles were exchanged for slaves. Even in the decades after 1750, when lower prices boosted domestic demand, some 40% of British fabric was destined for the "slave coast." Unfortunately for British merchants, who shipped a record 200,000 slaves between 1740 and 1750 (Thomas 1997: 264), the quality of British fabric was often poor, forcing the importation of highly colored (and expensive) Indian "calicos" that were reexported aboard British slavers. Unsurprisingly, textile producers in the hinterland behind Liverpool and the other north England slave ports saw in this circumstance an attractive business proposition: the substitution of expensive Indian cottons with locally made product.

Although England had long boasted a cotton industry alongside the much more significant wool trade, "the quality of the product was rather poor, and its quantity insignificant" (Mantoux 1961: 199). To boast production, Liverpool's merchants initially resorted to the same methods that characterized most "manufacturing" at the time: "putting-out" or outsourcing. This saw merchants purchase cotton and then outsource production to "weavers," who then oversaw a complex process of further outsourcing and collection. Under this system, virtually all the spinning of fabric, and weaving of cloth, was devolved to the household sector, where spinning and weaving provided a significant supplement to agriculture income. The problem with the "putting-out" system was that it allowed for neither innovation nor supervision, outcomes that ensured a continuation of low output and indifferent quality. Between the 1760s and 1810, however, a series of primitive inventions (Hargreaves's "spinning jenny," Arkwright's so-called "water frame," Compton's "spinning mule"), a medieval source of power (the water mill) and new systems of management overcame these problems, heralding the birth of what we think of as the Industrial Revolution.

Of the inventions that transformed textile production, the "spinning jenny" invented by James Hargreaves in 1764 was the most primitive. Consisting of little more than a wooden frame that was moved manually backwards and forwards, it nevertheless allowed a single worker to draw cotton fibers on to multiple spindles (Mantoux 1961: 216–218). A more significant "invention" was Richard Arkwright's so-called "water frame" – so-called because, although most models were eventually located in water mills, in the 1760s the first examples were powered by horses. Too large for manual operation, the "water frame" twisted multiple strands of fabric into "a much stronger thread than the most skilled spinner could have made with a spinning wheel" (Mantoux 1961: 216–218). Only when the new mechanism was transferred to the banks of the Derwent River in Derbyshire, and located within water mills, was its potential realized, Arkwright's own mill boasting thousands of spindles and 300 workers by 1799 (Mantoux 1961: 224). Like many entrepreneurs who enriched themselves in the Industrial Revolution, Arkwright appears to have been as much charlatan as genius. The plans for the invention that made him famous were, it appears, pilfered from others, namely, James Paul and John Wyatt, Arkwright himself having no previous "knowledge either of spinning or mechanics" (Mantoux 1961: 231). Arkwright's real skill was as an entrepreneur and manager rather than as an inventor, taking an existing idea, modifying it and bringing it into commercial operation. Like Paul and Wyatt, the inventor of the "spinning mule," Samuel Compton, gained little from his pioneering in 1779 of a device that "became the spinning machine *par excellence*" (Mantoux 1961: 237). Just as a mule supposedly exhibits the best attributes of a female horse and a male donkey, the "spinning mule" combined the best features of the "jenny" and the "water frame." Not only was the spinning speed of the "mule" incomparably superior it also exceeded the quality of home-based craft workers, enabling "British manufacturers to outdo the renowned skill of Indian workers and manufacture 'muslims' of incomparable delicacy" (Mantoux 1961: 238). None of this production, however, occurred in factories owned by Compton, who vainly pursued legal action against those who profited from his conception. So successful was the "spinning mule," however, that by 1812, Britain boasted up to five million operational spindles, worked across hundreds of factories (Mantoux 1961: 237–238).

Much of the success of the early spinning contraptions is attributable to the fact that their construction required little in the way of either capital or skill. Their attractiveness was also enhanced by the fact that they could be powered from a plentiful and inexpensive source of energy, i.e., running water. In 1788, almost three-quarters of England's 123 cotton mills were located along mountain streams in the Pennines (Lancashire, Yorkshire, Derbyshire, and Nottinghamshire). Of these, almost half were in southern Lancashire, adjacent to Liverpool's merchants and slave traders (Mantoux 1961: 248). Indeed, the very ease with which one could enter the industry soon proved a major problem for cotton manufacturers as a surge in output drove down prices and profits. It was in this competitive environment that another revolutionary invention, the Boulton and Watt steam engine, gained acceptance. Although the Newcomen steam engine had been used in the coal industry since 1712, the Boulton and Watt engine, manufactured at the Soho factory near Birmingham, differed in being small enough and cheap enough for generalized use. Admittedly, installation of steam engines incurred costs, both in terms of capital investment and running costs (i.e., coal), that were not suffered in water-powered mills. However, numerous cost advantages offset such expenses. As James Watt explained to a potential Scottish customer in 1784, his firm's engines were "certainly very applicable to the driving of cotton mills, in every case where the convenience of placing the mill in a town, or ready-built manufactory, will compensate for the expense of coals" (cited, Mantoux 1961: 334). The practicability of coal-fired steam engines was also enhanced by the completion of a system of canals across the English Midlands, the first such canal (the Bridgewater Canal) linking Manchester to Lancashire's coalfields in 1761. A second canal, the Birmingham Main Line, linked Birmingham with the coalfields of the English "Black Country," a spur line passing the door of Boulton and Watt's Soho engine factory. This boost to the fortunes of steam engine manufacture was due to more than fortunate happenchance. Prominent among the Birmingham Canal's private underwriters was Mathew Boulton, the Soho factory's senior financial partner. The new canal system did more, however, than bring coal within reach of England's industrial consumers. It also effectively created the world's first mass market, allowing factories a cheap means of accessing raw materials, wholesalers, retailers, and other end-users. Such was the extent of the English canal system by 1830 that visitors from continental Europe often ascribed the nation's economic success to its creation. In 1825, for example, a French traveler, Baron Charles Dupin (1825: 181), advised his readers how England's canals providing an indispensable linkage between "opulent ports; industrious towns; fertile plains; and inexhaustible mines."

The first stage of the revolution in textile manufacture, it must be emphasized, only related to the *spinning* of yarn. The *weaving* of cloth was still, in large part, done by hand. To avoid the well-known problems of outsourcing, which gave management little direct control over quality, managers often brought weavers within the newly constructed factories as well. This "solution," and indeed the new factory system as a whole, brought with it a host of new problems for management. Weavers, long used to an independent existence, soon became dissatisfied with a proletarian existence. Intense competition added to downward pressure on wages, Pollard (1965: 91) observing of the cotton industry, "It was an environment encouraging ruthlessness, not only towards one's competitors, but also towards one's employees." Despite the passage of the *Combination Act 1799*, which outlawed trade unionism, a flourishing of labor organizations occurred across the entire textile industry. In 1812, discontent manifested itself in the most extensive strike ever experienced in Britain to that time. As Sidney and Beatrice Webb (1902: 52) record in their *History of Trade Unionism*, "From Carlisle to Aberdeen every loom stopped, forty thousand weavers ceasing work simultaneously."

In many ways, the workforce's propensity to unionize and engage in strike action was the least of management's problems, not only in the textile industry but also across all the sectors characterized by automation (brewing, potteries, engineering, and mining). The problems faced by management during this period are best summarized by Pollard in the introduction to his classic study, *The Genesis of Modern Management*. Unlike "the builders of the pyramids," Pollard (1965: 7) corrected identified, the managers of the early industrial age had to relate production efforts "to costs," selling their output into highly competitive markets. To achieve this end, managers pioneered what we think of as "cost accounting," generating estimates of costs at each *stage* of the production process. "In the most advanced works," such as Boulton and Watts's Soho engineering work, "departmental accounts would attempt to keep the returns of departments separate, down to elaborate schemes for allocating overheads fairly and proportionately" (Pollard 1965: 222). Often these early attempts at cost accounting were crude, if not misleading. Such failings, however, reflected the historically unique circumstances in which managers found themselves. As Pollard (1965: 215) explained, in managerial cost accounting "there was no tradition, no body of doctrine, no literature worthy of the name." Despite these difficulties, Pollard (1965: 209) nevertheless argued that, "the development of accounting for industry . . . was one of the two main responses of large firms to the problems of management in the Industrial Revolution."

The second key response of larger firms to the Industrial Revolution was the realization that they needed a class of skilled salaried managers who stood in an intermediary position between the firm's owners and shop-floor foremen and supervisors. As with cost accounting, the emergence of a class of professional managers was an historic novelty, regarded with suspicion by many of society's leading members. Writing at the dawn of the Industrial Revolution, Adam Smith, for example, correctly identified the emergence of a class of professional directors and managers as one of the seminal events of his time. Rather than seeing this new class as agents of a more productive society, however, Smith saw them as an impediment to progress, declaring that "being the managers of other people's money rather than their own, it cannot well be expected that they should watch over it with the same anxious vigilance [as] . . . their own" (Smith 1776/1999: Book V, Chap. 1, Article 1, para. 18). As there were no business schools or colleges given over to the training of managers, most firms initially recruited managers internally, either through the delegation of family members or by promoting workers from the shop floor. Firms slowly realized, however, that although technical knowledge was a useful attribute in running a business, it was not as important as general managerial ability: a capacity to identify operational problems, recruit and motivate staff, match supply with demand, and look for innovations not enjoyed by competitors. Pollard (1965: 127) notes that Britain's "northern collieries" were probably the largest suppliers of managers to Britain's expanding factories and mills. As Nef (1932/1966: 322) had correctly identified, this industry experienced "capitalistic forms of industrial organization" at an earlier stage than any other sector. The industry also pioneered the use of steam power in 1712 with the introduction of the first Newcomen engines. Competition was also historically fiercer, and workforces larger, in coal mining than elsewhere. Strikes and nascent forms of trade unionism were also a common feature of the northern coalfields. All of these experiences, garnered in the hard life of the coalfields, were invaluable elsewhere.

The propensity of workers to engage in disruptive strikes points to another managerial response evoked by the Industrial Revolution: the need to recruit, supervise, and motivate a large class of mechanically minded workers, most of whom boasted skills that would have been unimaginable a generation earlier. Of all the attributes that managers had to inculcate in their workers, however, none was more vital than punctuality and awareness as to the passage of time, E.P. Thompson (1967: 85) arguing "that the contest over time" was seminal to the ultimate success of the Industrial Revolution. Unlike outsourced handicraft work, where it made little difference when a worker chose to commence the operation of their handloom or spinning wheel, a mechanized factory could not operate upon the basis of workers strolling in and out whenever they felt like it. In a world where only the wealthy owned watches the factory siren – announcing various warnings as to the start of the next shift, as well as the commencement and conclusion of meal beaks – became a defining characteristic of the new industrial towns and villages. Whereas people had previously only measured time through reference to the rising and setting of the sun, workers and managers now fought each other over the hours and even minutes of work. Campaigns for the 10-h day and, subsequently, the 8-h day, were a ubiquitous feature of every mechanized industry. Unscrupulous managers, for their part, manipulated the work clocks, one Scottish worker complaining: "The clocks at the factories were often put forward in the morning and back at night, and instead of being instruments for the measurement of time, they were used as cloaks of cheating and oppression" (cited Thompson 1967: 86). Often reduced to the level of petty mindedness, the managerial struggle to impose time discipline on their workforce was nevertheless vital to the very future of industrial civilization. For without control over time, no other form of managerial planning and control can have any meaning.

Profound as they were, the industrial and, more importantly, the managerial effects of the transformation that occurred in Britain between 1750 and 1830 were, as we have previously noted, largely confined to a minority of the workforce. Outside of textiles, engineering, potteries, coal mining, and brewing, "the applications of novel machinery and of steam power were only tentative" (Clapham 1926/1967: 156). As Figs. 1, 2, and 3 indicated, the effect of the initial stage of the Industrial Revolution on global supply chains was also comparatively modest. The highly profitable slave trade, which provided much of the custom for British textiles, remained geared towards the production of coffee, tobacco, and, above all, sugar, rather than cotton. Most cotton still arrived in Britain from India and Egypt. When the first eight bales of American cotton arrived at Liverpool's wharves in 1784, disbelieving customs officers seized it as contraband, not crediting Americans with the wherewithal needed to produce and export such fibers (Mantoux 1961: 201, Footnote 3). Even sugar, which remained the backbone of the planation economies of the Americas, remained a luxury item in the second half of the eighteenth century. Only with the post-1850 revolution in shipping did sugar became an item of everyday consumption. Whereas prior to 1850, Mintz (1985: 148–149) observed in his study of the global sugar trade, sugar "did not make a significant calorific contribution to English working-class diet," after 1850 it became the "most important addition to the British working-class diet." By 1900, sugar – consumed either with tea or in the form of confectionary, biscuits, cakes, and "puddings" – made up a sixth of the British working-class diet (Mintz 1985: 149).

Although British manufactured exports prior to 1830 were miniscule compared to what was to follow, they were not without their global effects. Nowhere was this more evident than in the trade with India. As Marx (1853/1951: 315) noted in his study of *British Rule in India*, "From immemorial times, Europe received the admirable textures of India," produced by "myriads of spinners and weavers," paying for these magnificent textiles with "precious metals." As we noted above, prior to Compton's invention of the "spinning mule," Europe was incapable of matching the high-quality yarn and fabric of Indian "calicos." By the 1820s, however, the boot was firmly on the other foot. Not only did Britain's manufactured product drive Indian textiles out of European markets, they also began the conquest of India's home market. Between 1818 and 1836, Marx (1853: 315) noted, British textile exports to India rose 5200-fold. By 1824, British was selling 1,000,000 yards of cloth (914,000 m) into the Indian market. Thirteen years later, this total had risen to 64,000,000 yards (58,521,600 m). The social consequences were devastating, Marx (1853/1951: 313), advising his readers that, "the misery inflicted by the British on Hindostan [India] is of an essentially different and infinitely more intensive kind than all Hindostan had to suffer before."

Conquering Time and Space: The Global Economy, 1830–1890

In arguably the most influential work in Australian business and management history, *The Tyranny of Distance*, Geoffrey Blainey (1966: 70) observed "that anyone circumnavigating the [Australian] continent in 1800" – more than a decade after initial European settlement – "would have seen, after sailing from Sydney, only smoke rising from aboriginals' fires in remote places." Thirty years later not much had changed, European settlement amounting to little more than a collection of "isolated ports," some "flourishing," others "gasping or dead." A number of these isolated ports (Brisbane, Newcastle, and Hobart) were convict settlements. Others were the temporary abode of whalers and sealers, busily engaged in the mass slaughter of local marine life. Not only were European settlements in Australia and New Zealand remote from each other, they were also a long way from the European heartlands. The first fleet of convict ships to arrive in Australia took more than 9 months to sail the route from England, arriving in Sydney in January 1788. By the early 1850s, when the discovery of gold brought a rush of immigrants to Australia, things had theoretically improved due to the arrival of American-designed (and often built) "clipper" ships on the Australasian route. "The American clipper," Blainey (1966: 70) noted with admiration, "was the consummation of centuries of shipbuilding, the most glamorous ship that ever went before the wind." Although famously associated with the transport of the "American 49ers," the gold-seekers who ventured to California in 1849 in search of riches, it was the Australian route that held the key to the economic success of the clippers (Blainey 1966: 183). Capable of covering 400 miles per day (644 km), the clippers dramatically reducing sailing times, one skipper (dubiously) claiming to have undertaken the voyage to Australia in 74 days (Blainey 1966: 191). Even on the clippers, however, the journey to the Antipodes was no idyllic cruise. Under the battering of the Southern Ocean, the condition of the clippers rapidly deteriorated. William O'Carroll (1862/1863: 430–431), an Irish immigrant, described the ship that carried him to Australia as "a wretched, crazy-looking hulk, miserably provisioned in every respect." Another immigrant recounted how, "Our skipper was an uneducated man, who treated all passengers like dogs . . . We had but sixteen sailors, three of whom were all more or less disabled. But for the passengers, the ship would never have been worked" (cited Jordan 1864: 926). Personal tragedies were all too common, one immigrant recounting how "a child of mine was one of the many that died aboard the ship . . . from absolute exhaustion produced by a want of sufficient food" (cited, Queensland Government 1863: 431).

Although the remoteness of Australia and New Zealand made voyages to these destinations particularly arduous, there were comparative few who even risked the perils of an Atlantic crossing before the 1850s. As Fig. 5 indicates, few people immigrated to the United States before 1850, when a record 369,980 people arrived in the American republic, many of them fleeing the great Irish "potato famine." This single-year total far exceeded the *combined* total recorded between the ending of the War of Independence (1783) and 1819, during which time a mere 250,000 immigrants dared the Atlantic crossing. Even in 1840, when 84,060 individuals made the journey, the level of immigration was only 22.7% of that recorded a decade later. Interrupted by the Civil War, immigration returned to, and then exceeded, its pre-conflict peaks after the ending of the hostilities. Between 1880 and 1900, some 450,000 new citizens typically landed each year (U.S. Department of Commerce 1975: Chap. C, 97). As we noted in the introduction, the key to the post-1850 transformation was a revolution in shipping, underpinned by a massive expansion in

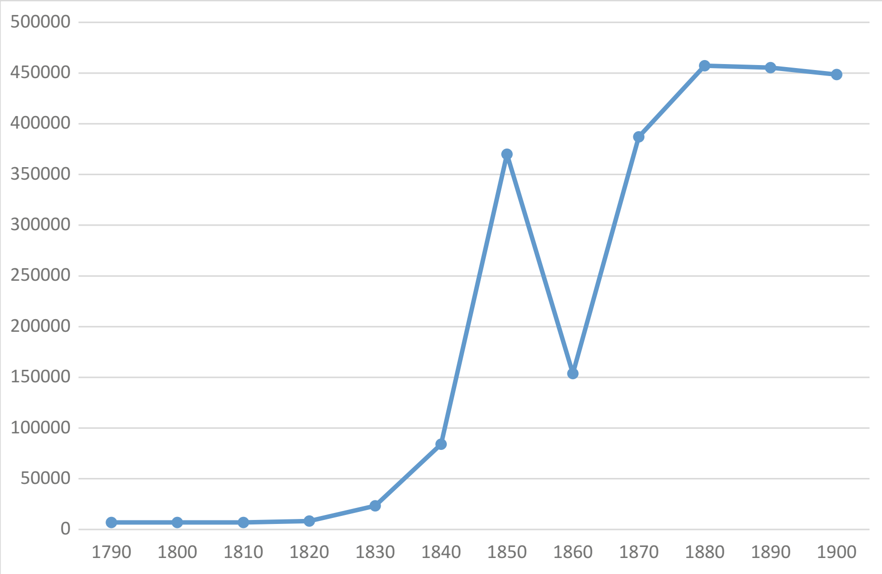

Fig. 5 Immigration to the United States, 1790–1900. (Source: U.S. Department of Commerce 1975: Series C 89–119)

iron and steel production and coal output. On the Atlantic route after 1830, first steam-powered paddle wheelers, and then iron-hulled screw-propulsion ships, rapidly displaced sail. Screw-propulsion ships were also sturdy enough to risk voyages in the Southern Ocean, a region where paddle steamers feared to go. In Australia, a flood of new arrivals made Melbourne the second city of the British Empire, the city's metropolitan area boasting a population of 387,000 by 1890. Thousands more lived in adjacent urban areas. In this sophisticated New World city, no more than wind-swept wilderness in 1830, some 2.7 million passengers commuted to work on the suburban rail network in 1890–1891. Millions of others commuted on the city's steam-powered cable cars (Speight 1892).

The creation, for the first time in human history, of a genuine global economy, characterized by the free movement of people and goods on an unprecedented scale, was the great novelty of the 1830–1890 period. As urban life became the norm across Western Europe and the eastern seaboard of the United States, so whole nations became utterly dependent on logistics chains that stretched around the globe. This dependency was most evident in wheat, the staple of the European diet. Writing of the role of the railroads in the post-1850 agricultural settlement of the New World, Walt Rostow (1963: 14) observed how, the "rising grain prices of the 1850s . . . made the massive laying of the rail lines attractive." Although there were local benchmark prices for grain – the Chicago wholesale price assuming a position of preeminence in the United States – the creation of a single global market made the London benchmark the ultimate arbiter of price. The good fortune of a wheat farmer in Manitoba (Canada), Victoria (Australia), or Minnesota (the United States) rested not

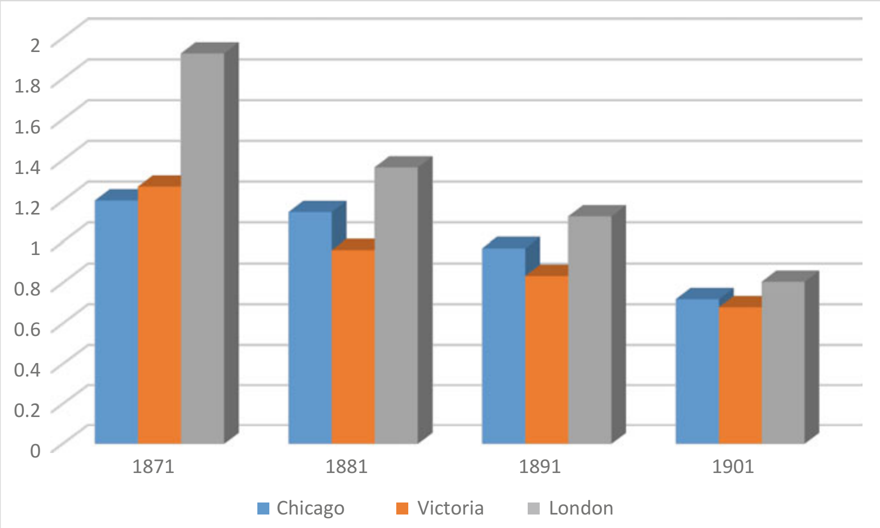

Fig. 6 Benchmark wheat prices: Chicago, London, and Victoria, 1871–1901 (historic US dollars). (Sources: *Victorian Statistical Register* 1871–1902; Wallace 1930)

only on their efforts, and the benevolence of local climate, but also on the global balance between supply and demand. Reflecting on the compression of global wheat prices in the latter half of the nineteenth century, the American economist and sociologist, Thorstein Veblen (1892: 82), in an article entitled *The Price of Wheat Since 1867*, identified 1882 as the "turning point" after which date prices were determined by "the aggregate volume of the world's crops."

As Fig. 6 indicates, in 1871, there was a significant price difference between what wheat wholesaled for in London when compared to either Chicago or Melbourne, then Australia's largest city. Whereas the London benchmark price averaged – when expressed in historic US dollars – $1.92, the benchmark price in Melbourne and the other port towns of Victoria averaged two-thirds of this ($1.27). In Chicago, the benchmark wheat price ($1.20) was 62.5% of the London wholesale price. This price differential made the growing, export, and transport of wheat and other grains (barley, corn, oats, etc.) a highly profitable affair. As railroad expansion brought an ever increasing acreage into production, however, the world grain market came to favor buyers rather than sellers. By 1901, the London benchmark ($0.81) had lost 58.2% of its 1871 value (Wallace 1930; Dunsdorfs 1956; Victorian Government 1882, 1902). As falling London prices rippled through the global market, the prices paid to New World farmers collapsed. By 1901, the Victorian and Chicago benchmark wheat prices were, respectively, a mere 46.4% and 40.1% of their 1871 levels.

The creation of a global market place, organized around revolutionary new technologies, created unprecedented levels of competition. At the heart of this global economy was something fundamentally new in the human experience: the *creation* of wealth through the *destruction* of economic *value*. In other words, the *value* of any given commodity (wheat, cloth, and oil) became constantly cheaper for the consumer due to increased supply, an outcome that left any producer utilizing constant inputs (labor, technology, and raw materials) with ever shrinking profits. In almost every area of life, a process of price deflation necessitated technological innovation, greater economies of scale through firm consolidation, and greater levels of managerial expertise. In textiles, the real purchase price for a meter of British factory-made cloth in 1860 was 13% of that charged in 1780 (McCloskey 1985: 60). In the oil industry – where the discovery of large reserves in western Pennsylvania in 1859 made kerosene lamps an affordable household item – the price of a Pennsylvania "barrel" (42 gallons or 159 litres) collapsed in the face of increased supply, falling from $12 in 1864 to $2.40 in 1866 (Chernow 1998/2004: 129). Not only was there a tendency for prices to fall, the same propensity was also evident in employment. In Britain, for example, the population in 1901 (37 million) was 76.2% higher than it had been in 1851 (21 million). As Figs. 1 and 2 indicated, the importation and manufacture of woolen and cotton fibers was vastly highly than it was earlier. Nevertheless, as Clapham (1932/1967: 29) indicated, the British textile industry employed fewer people (994,000) in 1901 than it did a half century before (1.1 million). The capacity to make more goods with fewer people caused Marx (1867/1954: 635–637) to identify an inevitable social cataclysm, in which increased productivity led to vast numbers of unemployed: what he referred to variously as "relative surplus-population" and "an industrial reserve army." What Marx failed to understand with this erroneous prediction was that technological and managerial innovation created entirely new industries: electricity, automobiles, and retail department stores. Such outcomes were not a mere by-product of industrial "take-off." They were a precondition for sustained growth in both production and employment. As Rostow (1963: 9) noted in his famed study of industrial "take-off," sustained economic growth in industrial societies always "requires the organization around new technology of new and vigorous management; new types of workers; new types of financing and marketing arrangements. It requires struggle … against the constraints of the traditional society."

Falling prices across virtually every economic sector reflected more than simply increased supply. It reflected what Joseph Schumpeter (1950/1975: 84) described as a fundamentally new type of competition "which strikes not at the margins of the profits and the outputs of the existing firm but at their very foundations and their very lives." Famously describing this process as "creative destruction," Schumpeter (1950/1975: 84) argued that the new type of competition was not, primarily, caused by price differentials. Rather, it was characterized by the replacement of outdated forms of technology by more advanced manifestations, and by the displacement of old forms of firm organization by "the new type of organization (the largest-scale unit of control for instance)." In the period between 1830 and 1890, this process of "creative destruction" took many forms. In the British cotton-spinning industry, the first to experience mechanization, there were no technological transformations comparable to those which occurred in the pre-1830 period. Gains stemmed instead from "continuous minor improvements" as factory managers experimented with variations in machine parts and work practices (Clapham 1932/1967: 80). The collective effect of these incremental managerial improvements was profound. Whereas the average mill hand spun 3700 pounds of yard in 1859–1861, by 1880–1882, the typical textile worker was spinning 5500 pounds of yard – a 48.6% increase (Clapham 1932/1967: 81). A far more brutal example of "creative destruction" was provided by the United States oil industry, where John D. Rockefeller's Standard Oil Company gained a near monopoly of the production, refining, and transport of crude, allowing Rockefeller to buy cheap and sell dear. First, Rockefeller drove rival refiners out of business through a secret agreement with America's major railroad companies – the Pennsylvania, the New York Central, and the Erie. From 1871, Rockefeller received a discount price for the transport of his oil, allowing him to undercut his rivals. Rockefeller then destroyed the oil custom of his railway partners, constructing pipelines to the eastern seaboard from whence refined product was shipped to Europe (Chernow 1998/2004: 135, 219). Ruthlessly destroying all opposition, and corrupting the political process to obtain his personal ends, Rockefeller has understandably suffered poor press. Yet, it was largely due to his efforts that the oil industry made the strides it did between 1860 and 1890. As Chernow (1998/2004: 151) notes, "When Rockefeller took over competing refiners, he retained plants with up-to-date facilities and shuttered obsolete ones." Rockefeller not only conceptualized the idea of a network of oil pipelines, he also made it a reality.

Of all the industries that characterized the global economy of the mid-nineteenth century, none was more important – and more managerially complex – than the railroads. Everywhere, in both the Old World and the New, the railroads were at the center of economic advancement, assembling huge workforces and requiring a complexity of managerial organization unprecedented in human history. In the vast continental spaces of North America, Australia, Russia, Mexico, Argentina, and India, the railways assumed particular importance. Commenting upon nineteenth century American railway development, Stromquist (1987: 5) observed how the railroads "created the connecting sinews of a national market for American manufactured goods and an international market for the agricultural surplus of the West." A similar comment is applicable to virtually every other New World society. For the hundreds of thousands who entered into railway service, working life was shaped by where one stood in a complex job hierarchy. At the bottom of the pecking order was a host of semiskilled occupations that included navvies, porters, and freight handlers. At the top of the job hierarchy were the skilled craftsmen in the workshops and the engine drivers on the locomotives. Invariably, the railroads overshadowed other nineteenth century business organizations in terms of not only the size of their workforces but also in their level of capital investment. Of the mighty Pennsylvania Railroad, Chandler (1977: 204) noted that in 1891 it employed more than 110,000 workers, a number that exceeded the combined total of the United States defense forces and the postal service. In the Australian colony of Victoria – where the railroads were less important than in the geographically larger, pastorally oriented colonies of New South Wales and Queensland – the capital invested in state-owned railroads between 1886 and 1890 exceeded private sector investment in agriculture, the pastoral sector, mining, manufacturing, and non-residential construction, combined (Linge 1979: 210–211).

Alfred Chandler, Railroads, Management, and Markets

Nineteenth-century railroads have a special significance in business and management history due to their centrality to Alfred D Chandler, Jr's, schema: an analysis that provides a sweeping but well-researched explanation as to the rise of the modern world that has had a profound theoretical influence over the last half century. Initially spelt out in an article published in *Business History* in 1965, "The Railroads: Pioneers in Modern Corporate Management" – and then more fully in *The Visible Hand: The Managerial Revolution in American Business* and *Scale and Scope: The Dynamics of Industrial Capitalism* – Chandler (1965, 1977, 1990) argued a number of key propositions. First, he reasoned that it was the railroads rather than canals that were responsible for the world's first mass markets. It asserting this proposition, it should be noted, Chandler (1965, 1977, 1990) was well aware that by 1830 canals were already carrying significant volumes of bulk freight in not only Britain but also in the United States and most other Western European societies. Nevertheless, Chandler argued that canals were best suited for low-value bulk commodities (coal, grain, etc.) and ill-suited to either large-scale passenger movement or the haulage of high-value manufactured goods. Although the noted American economist, Robert Fogel (1962, 1964), mounted a case for the continued importance of canal systems during the "railroad age" – pointing to the fact that the United States canal freight tonnages were comparable to those of rail well into the nineteenth century – most historians accept Chandler's argument that railroads offered qualitative and quantitative advantages over canals. Unlike the canals of northern Europe and North America, railroads did not freeze over in winter. Unlike canals, they could also transverse the dry continental interiors of South Africa, the Ukraine, India, Australia, Argentina, and North America with relative ease. Above all, they "provided the fast, regular and dependable transportation and communication so essential to high-volume production and distribution" (Chandler 1977: 79). The railroads also made long-distance travel an inexpensive exercise. In France, for example, prior to the coming of the railways, it took up to 5 days to travel from Paris to the nearby Norman town of Caen. With the coming of the railroad, this journey could be comfortably completed in a few hours, regardless of the weather or the season (Braudel 1986/1990: 473). The railroads also facilitated the creation of entirely new industries. The movement of livestock by train, for example, allowed for high-volume meat-processing plants. In the vast spaces of the Argentine pampas, the American prairies and the Australian outback, railroads allowed commercial cattle-raising on an industrial scale. Refrigerated freight trains brought affordable meat supplies to the family table. Mail-order catalogues permitted even remote farming household a capacity to peruse and purchase the latest fashion, knowing that the sought-after item would be delivered within a short span of time.

If Chandler's argument that the railroads created the first mass markets has attracted broad agreement – Braudel (1986/1990: 467) noting with regard to the French situation that "before the coming of the railways, France was not really a national market" – his other propositions are more contentious. For whereas classical economics argued that it was market forces that determined the relationship between supply and demand in a capitalist economy, Chandler argued a fundamentally different proposition. On the opening page of *The Visible Hand: The Managerial Revolution in American Business*, Chandler (1977: 1) stated that although the "market" still generated *demand* for goods and services, the "modern business took over the functions of coordinating flows of goods and services through existing processes of production and distribution." At a subsequent point in *The Visible Hand*, Chandler (1977: 12) articulated his position in more unambivalent terms, arguing:

> The visible hand of management replaced the invisible hand of market forces when and where new technology and expanded markets permitted a historically unprecedented high volume and speed of materials through the process of production and distribution.

It is clear that Chandler's key thesis as to the relationship between management and markets was influenced by Oliver Williamson's (1976: 8–9) understandings of "transaction cost economics." This framework holds that the uncertainties of market exchanges create costs for a firm that are often higher than if they were internalized (i.e., it would be cheaper if the firm produced a good itself rather than purchasing it in the marketplace). Chandler's analysis, however, went much further than Williamson as he brought to the fore *the* most important issue in economics and management studies, namely the relationship between management and markets. In Chandler's view, *modern* management differed from *premodern* management precisely, because new technologies had created mass markets that exposed producers in one location to competition from more efficient firms located in distant locales. At the same time, Chandler believed, modern management also had far more tools at its disposal (improved communication, better understanding of consumer demand, and a greater understanding of costs) than previously, allowing it a proactive capacity to not only match supply to demand but also the ability to manipulate consumer perceptions and create new markets. Such explanations provide a more original insight into the *actual* workings of modern capitalism than what is typically found in economic textbooks, where most lend support to John Stuart Mills's (1848/1965: 795) premise that "every restriction" of competition "is an evil, and every extension of it . . . is always an ultimate good." For large modern firms invariably seek to destroy rather than facilitate competition. The reasons for this are *not* those typically expounded by economists, who link reduced competition with monopolistic behavior and *higher* prices. Instead, the drive to reduce competition stems from the problems inherent in business operations where most costs are found in capital investments rather than in labor or variable costs. As became obvious in the railroads of the mid-to-late nineteenth century, a highly capitalized business typically gains little by curtailing production when selling at a loss. Most of its costs are fixed and thus incurred whether or not the business produces anything, meaning that some income is better than none. Accordingly, as the nineteenth century American economist, Arthur Hadley (1885: 40, 70–71) noted, "Whenever there is a large fixed investment, and large fixed charges, competition brings price down below cost of service . . .. Then we have bankruptcy, ruin to the investor." In such situations, the logic of production leads to continued output that flies in the face of the logic of the market, which calls for curtailment of production when supply matches demand. Invariably, problems of this sort are resolved not by the "market" but rather by proactive managerial initiative that manifests itself in a number of ways: firm mergers, selling cartels, reorienting production towards other markets, etc.

Chandler (1990: 253) also famously argued that the railroads of the nineteenth century were responsible for the "first managerial hierarchies with lower, middle, and top levels of management." Even in Britain, Chandler (1990: 253) suggested, management as we understand it (i.e., a class of professional managers organized in a hierarchy) only emerged through the demands imposed by the railroads. Previous factory manifestations were, in his opinion, less consequential. In the case of the United States, Chandler (1977: 3) argued, "as late as 1840 there were no middle managers." Only with the railroads did the nation first witness this social novelty, an innovation that was soon replicated in other industries. Where the United States differed from other nations, Chandler (1977, 1990) believed, was not in the "managerial hierarchies" that were common to all but rather in the pioneering of a new form of business organization: the "multiunit enterprise." With this organizational structure, "autonomous units" were given the capacity for strategic decision-making while garnering the financial, buying, and marketing resources of the entire organization. This could see a firm organized around geographical divisions (i.e., midwestern states, mountain states, etc.), functional divisions (i.e., freight haulage, passenger services, marketing, etc.), or a combination thereof. In Chandler's estimation, the reason behind the supposed American pioneering of the "multiunit enterprise" is found in "the geographical extent" of the American nation. Put simply, a geographically larger and more populous nation demanded the construction of a "far greater mileage . . . than in other industrial countries" (Chandler 1990: 53). This high American mileage, Chandler believed, entailed a complexity of managerial problems that was beyond the capacity of a single chain of command, necessitating a delegation of responsibility to semiautonomous units.

Although few business or management historians would disagree with Chandler's assessment that the railroads were central to the creation of a modern global economy, many would quibble with his suggestions that American managerial performance was inherently superior to that of all other nations, either within the railroads or without. Where Chandler saw in the railroads of nineteenth century America a story of efficiency and human progress, others (Kolko 1965; Berk 1994; Perrow 2003; White 2011) perceived a tale of rapacious greed, squandered resources, and the building ahead of a demand that, not infrequently, never arrived. Of the vast transcontinental railroads built across the United States from the 1860s onwards, White (2011: xxxvii–xxxviii) declares them "transformative failures" that "never paid for themselves."

Certainly, the claims by Chandler as to the managerial efficiency of America's nineteenth century railroads appear at first glance to be contradicted by the fact that many were constantly on the verge of bankruptcy. The business circumstances of the railroads west of the Mississippi River, which relied upon agricultural custom, was particularly precarious, one newspaper editor recording how "the [financial] condition of the railroads is deplorable in each Western state" (Robinson 1890: 23). Chandler explained away such difficulties in three ways. First, Chandler (1977: 134) suggested, financial difficulties primarily stemmed from competition, which produced not only negative attributes (bankruptcies) but also positive attributes (innovation and efficiency). Secondly, he pointed – as Adam Smith (1776/1999: Book V, Chap. 1, Article 1, para. 18) had done before him – to the fact that investors and managers had distinct and separate interest. Of America's railroad managers, Chandler (1977: 171) observed that, "They were willing to risk bankruptcy to assure the continuing, long-run flow of traffic across their tracks. Even if the investors lost their investments, the managers had their [rail] system." Finally, Chandler (1977: 126) noted that railroad freight rates were tied to the custom being carried, and that managers could only "charge what the traffic would bear." Accordingly, the haulage of low-value freight – while socially and economically beneficial – was often unprofitable.

While there is merit in all three of Chandler's explanations, there are also serious flaws in his thinking that highlight a common failing of management historians. Whereas economists typically overstate the importance of market forces and understate the proactive role of entrepreneurs and managers, the analysis made by management historians often suffers from the reverse problem, i.e., they overstate the proactive capacities of managers and understate the continuing importance of markets. As I (Bowden 2017: 301) argue elsewhere, the fundamental problem with Chandler's analysis stems from a lack of understanding of market forces. For when Chandler refers to "competition," he is referring to competition between railroads in meeting a *direct* demand (i.e., people want to ship their wheat by rail). However, when he is referring to charging "what the traffic would bear," he is referring to *derived* demand (i.e., a baker in London wants wheat from which they can make bread). The fundamental problem that New World railroads suffered from is that they were *always* at the mercy of far-distant sources of derived demand. By increasing mileage in virgin territory, and bringing land under the plough, they were creating not only new sources of revenue. They were also creating the mechanism for eventual global oversupply. This is evident in Fig. 7, which compares the per ton freight income received by the railroads of two Australian colonies – Queensland and Victoria – with that obtained in two American regions, namely, the Northern Plains (Minnesota, Nebraska, Iowa, Wyoming, Montana, and the Dakotas) and the South-West (Arkansas, Kansas, Colorado, Missouri, New Mexico, Oklahoma, and Texas). Given the fact that Australian railroads were state-owned monopolies, whereas those of the United States were private competitors, one would expect little similarity between Australia and American railroad rates during this period. However, as is self-evident, railroad rates in all four regions followed an almost identical pattern. Falling away sharply in the early 1880s, each suffered new lows in the mid-to-late 1890s. The immediate driver of this common pattern of railroad rate decline is found in Fig. 6 which records the secular decline in wheat prices that occurred after 1871. The ultimate determining factor was the new global economy that the railroads themselves did so much to create, bringing new competitive pressures into almost every part of the world.

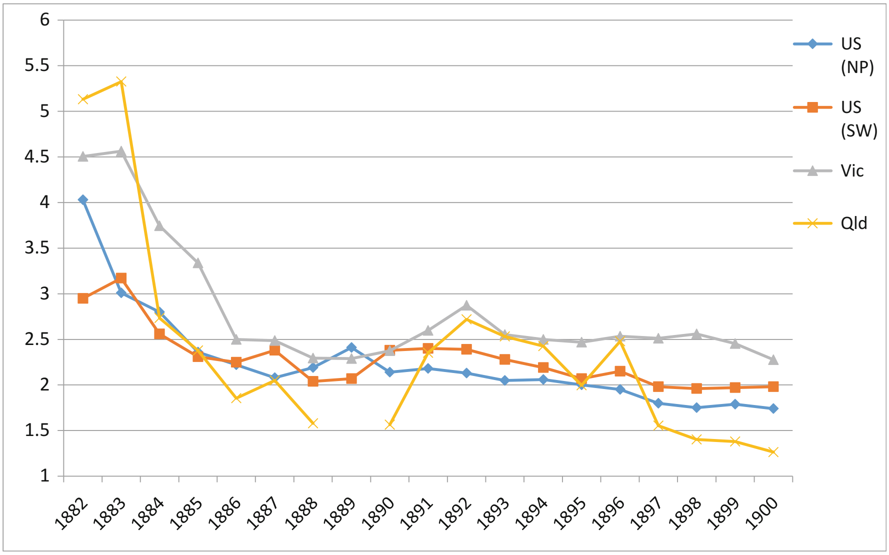

Fig. 7 Per ton freight income in US dollars: Victoria, Queensland, US Northern Plains, and US South-West, 1882–1900*. (Source: Bowden 2017). *No Queensland figures for 1889 due to change to financial year measurement)

Management, Slavery, and Colonial Subjugation

In the New World societies inhabited by people of predominately European ancestry (North America, Argentina, Australia, and New Zealand), the new global market offered both threats and opportunities. Things were, however more problematic in regions dominated by non-European workforces. Although slavery was abolished in the British Empire from 1834, slavery remained a fact of life in most of the plantation economies of the Caribbean and the Americas. Writing of the efforts to curtail the slave trade during the 1830s and 1840s, Thomas (1997: 750) observes of the situation in "the Cuban slave-powered economy" that anti-slavery campaigns had only "the slightest effect." The reason for the lack of progress in Cuba, Brazil, and elsewhere, Thomas (1997: 751) concluded, was simple: "The profits were too high to ignore." Of the situation that prevailed in the United States South in 1860, Byrer (2012: 528) observes that the region's 400,000 slave owners "possessed 93.1% of the South's agricultural wealth, having on average 13.9 times the wealth of non-slave owners." Those who had many slaves invariably fared better than those with comparatively few. The top 10% of slave owners, who held 44% of the region's slaves in shackles, boasted 40% of the South's agricultural wealth.

The continued existence of a slave economy well into the nineteenth century has continually caused problems for economic and management historians, just as it was a source of anxiety for the people of the time. In their recent *A New History of Management*, for example, Cummings et al. (2017: 62) argue that Adam Smith was a fervent opponent of slavery, arguing "radical," "anti-slavery" positions. To support this view, Cummings et al. (2017: 78) provide a quote from Book III, Chap. II of Adam Smith's *The Wealth of Nations*. In this chapter, Smith (1776/1999: Book III, Chap. II, para. 10) observed that, "The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any." In making these comments, however, Smith was discussing the transition from slavery to free labor in the early medieval world, the chapter being titled, "Of the Discouragement of Agriculture in the Ancient State of Europe after the Fall of the Roman Empire." This does *not* mean that he opposed legal interference in the system of slavery that existed in his own time, Smith believing that slaves were the legitimate private property of their owners. For in discussing slavery in North America, Smith (1776/1999: Book IV, Chap. VI, Part II) declared any action by a "magistrate" that "protects the slave, intermeddles in some measure in the private property of the master," and that "he dare not do this but with the greatest caution and circumspection." As is evident, Smith is loath to consider any action that "protects" a slave. There is no mention of freedom. The Marxist historian, Rob Bryer (2012), also adopts some convoluted theoretical positions in arguing that the slave plantations of the American South were not "capitalist." In Bryer's view, they could not be "capitalist" as they did not employ waged labor. Nor did the slave owners, in Bryer's opinion, demonstrate a sufficiently acquisitive and calculative capitalist mentality. To exclude the American South from the global capitalist economy of the nineteenth century, however, is difficult. American cotton was central to the success of the Industrial Revolution. Slave owners, moreover, profited inordinately from their participation in the system.

Were then the slave owners who grew cotton in the American South "managers" in the modern sense? It comes down to what we mean by the term "management." If we go by the standard textbook definition – that "management" amounts to "planning, organizing, leading and controlling" – then the answer must be "yes." However, from the very first chapter in this *Palgrave Handbook* (Chap. 2, "What I Management?"), I have argued in favor of a broader definition, associating "management" with attention to costs, competitive markets, legal protections of person and property, and the need to motivate legally free workforces. By this definition, the answer as to whether or not the slave economies of the Americas were examples of "modern management" must be "no." For in the end, the slave economies of the Americas – as with the enserfed workforces of Tsarist Russia – proved incompatible with a modern, capitalist system of management. That oceans of blood were shed during the American Civil War to bring about an end to slavery is proof that, in the final analysis, modern management and free-market capitalism are incompatible with systems of slavery and subjugation.

The problematic nature of the new global economy was also evident in the areas subject to colonial occupation in Africa and Asia. In the case of India, Ferguson (2008: 217) notes that between 1757 and 1914, the per capita Gross Domestic Product (GDP) of Britain went up by 347%. During the same period, in India – the crown jewel of the British Empire – per capita GDP grew by a mere 14%. This was no accident. Britain ruled India with British interests in mind, not Indian concerns. Nevertheless, as Ferguson (2008: 216) also highlights, a large share of Britain's accumulated wealth was invested in India. Whereas only 5% of Indian land was irrigated in the precolonial era, by the time the British left 40% of fields were irrigated. A coal industry was created from nothing, the industry producing 16 million tons per year by 1914. Indian life expectancy increased by 11 years due to immunization for smallpox and other diseases. British systems of management and language became the norm in Indian businesses. Whether the cost-benefit ratio worked in India's favor is a matter of subjective opinion. What is nevertheless clear is that by the close of the nineteenth century, India – like the rest of Asia – was an integrated component of the new global economy.

New Economy, New Workers, New Problems

In writing of the initial stages of Britain's Industrial Revolution, the labor historian, E.P. Thompson (1963: 217) declared it a "truly catastrophic experience." "For most people," Thompson (1963: 217–218) continued, "the crucial experience of the Industrial Revolution was felt in terms of changes in the nature and intensity of exploitation . . . an intensification of two intolerable forms of relationship: those of economic exploitation and of political oppression." While any debate as to lived working-class experiences always engenders strong opinions, Thompson's emphasis on exploitation does an injustice to what is a complex question. In previous chapters, I have referred to the Phelps-Brown (1956) real wage index in relation to changing patterns of wealth across the centuries. In Fig. 8, we return to this index by looking at changes in the real wage of skilled building workers in southern England on a decade-by-decade basis across the 1750–1913 period. As is self-evident, it is certainly true that real wages did fall between 1750 and 1800. Only in 1830 did real wages for skilled building workers surpass those obtained in 1750. How much of the 1750–1800 decline is attributable to the Industrial Revolution is, however, unclear. It *is* likely that the social dislocation inaugurated by the Industrial Revolution caused *some* of the decline. It is also probable, however, that much of the decline was caused by the Napoleonic wars, and the stresses and strains caused by a generation of warfare. What is nevertheless clear is that from 1800 real wages began an unprecedented ascent. By 1900, real wages were 352.6% higher than they had been in 1800. Even Frederick Engels (1892/1951: 376), a fierce opponent of capitalism, acknowledges that by the early 1890s the economic position of skilled workers organized into "Trades' Unions" was "remarkably improved." Such workers, Engels (1892/1951: 376) added, "have succeeded in enforcing for themselves a relatively comfortable position."

Engels, in his reflections upon the state of working-class life in the early 1890s, worried about a loss of revolutionary zeal. Others, however, saw the opposite: a rising tide of worker militancy, organized into powerful trade unions that were distrustful of management. Writing of the British situation, Sidney and Beatrice Webb (1902: 452) estimated that in the 1890s, there were 20,000 part-time trade union officials serving as "Secretaries and Presidents of local Unions." "These men,"

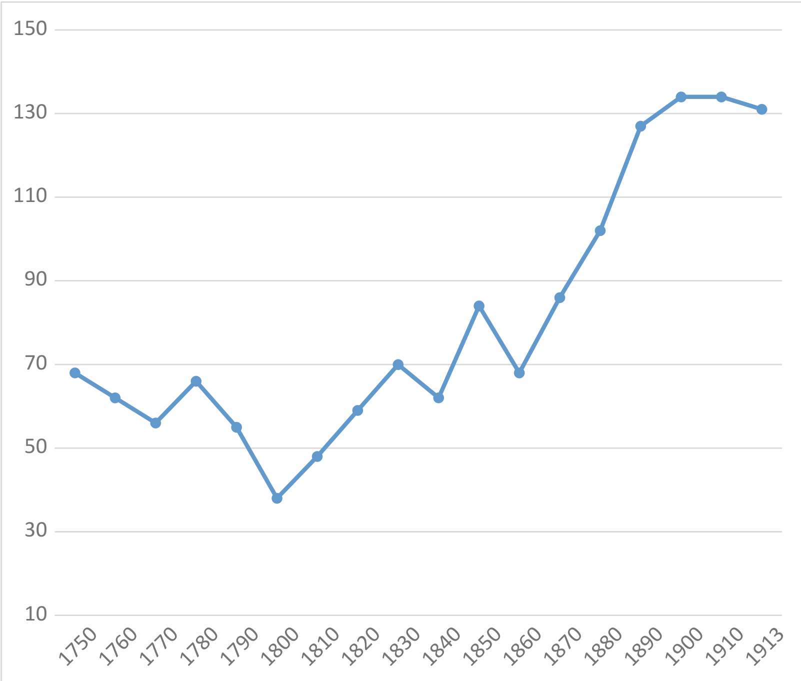

Fig. 8 Real wage of skilled building worker in Southern England, 1750–1913 (1447 = 100). (Source: Phelps Brown and Hopkins 1956: Appendix B)

the Webbs (1902: 452) argued, "were the backbone of the Trade Union world . . .Dependent for their livelihood on manual labour, they retain to the full the workman's sense of insecurity, privation, and thwarted aspirations." Everywhere, the Webbs (1902: xvii) noted, workers and their unions demanded acceptance "of the principle of Collective Bargaining," a principle premised on the belief that managers were unfit to unilaterally decide wages and working conditions. This distrust of management was not confined to Britain. Across all Western European societies and their New World offshoots (Canada, Australia, New Zealand, the United States, and South America), there was a profound sense that the rich had no intention of sharing either their wealth or their power with the new industrial working-class. Distrust of society's magnates – and employers more generally – found cogent expression in *The Iron Heel*, the novel penned by the American social activist, Jack London, in 1908. In this book, London (1908/1947: 135, 142) recalls a conversation with a member of the Philomath Club, comprised of "the most select" members of "Pacific Coast" society, in which London is supposedly advised:

> When you reach out your vaunted strong hands for our palaces and purpled ease, we will show you what strength is. In roar of shell and shrapnel and in whine of machine-guns will our answer be couched. We will grind your revolutionists down under our heel, and we shall walk

upon our faces. The world is ours, we are its lords, and ours it shall remain. As for the host of labor, it has been dirt since history began . . . And in dirt it shall remain.

In the United States, the period between 1890 and 1914 witnessed the most violent industrial strikes in the nation's history. In the Homestead steel strike of July–November 1892, at least 10 people were killed in armed clashes between striking workers and Pinkerton company guards employed by Carnegie Steel. In the United States railroads a rising tide of militancy culminated in a national stoppage in 1894, the so-called Pullman Boycott, Stromquist (1987: 24) describing the railroad disputes of the time as "the clarion call of a new class." Along the Rocky Mountains, members of the militant Western Federation of Miners clashed with company guards and local militias at Coeur d'Alenes, Cripple Creek, and Leadville, the union's president calling upon "every miner" to arm themselves with "a modern rifle and a supply of ammunition" (Haywood 1929: 65). From these western mining conflicts emerged the most militant union in the American experience, the Industrial Workers of the World (IWW), colloquially referred to as the "Wobblies." In the preamble to its constitution (cited Haywood 1929: 185), adopted in 1905, the IWW declared, "The working class and the employing class have nothing in common. There can be no peace as long as hunger and want are found among the millions of working people."

In Australia, as well, the 1890s saw the most significant strikes in the nation's history. In 1890, a maritime strike closed the waterfronts. Pastoral strikes followed in 1891 and 1894, curtailing production in the nation's preeminent industry for months at a time. In the course of the pastoral strike of 1891, Henry Lawson, arguably Australia's best loved poet, penned the following verses (cited Fitzpatrick 1944/1968: 123), published in a trade union newspaper,

So we must fly a rebel flag,
As others did before us,
And we must sing a rebel song,
And join the rebel chorus.
We'll make the tyrants feel the sting
Of those that they would throttle.
They needn't say the fault is ours,
If blood should stain the wattle.

In reflecting upon the great strikes of the 1890s, William Spence (1909: 111), the leader of Australia's largest mining and shearing unions, declared 1890 to be the "great turning point in the history of Australian Labor." It is also arguable that 1890 was the "great turning point" in Australian history more generally. As was the case in Britain and New Zealand, the union militancy of the 1890s gave strength to newly formed Labor parties. Committed to a social democratic program of social welfare, and government intervention in the economy, these Labor parties soon gained a mass following. In Australia, success came early with the election of the first federal Labor government in 1904. Across Europe, powerful new socialist and social democratic parties gained a mass following, Robert Michels (1911/2001: 165) referring to the

German Socialist Party of 1911 as a "gigantic and magnificently organized party." For private-sector managers, the emergence of an organized labor movement, embracing tens of millions of followers around the globe, created unprecedented problems in terms of workforce management. The new labor and social democratic movements also became, however, a significant and novel form of managerial organization in their own right. As Michels (1911/2001: 165) astutely observed in his famed study, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*, the "gigantic" new working-class parties invariably required "a no less gigantic apparatus of editors, secretaries, bookkeepers, and numerous other employees, whose sole task is to serve the colossal machine." Over time, thousands more professionalized workers – many recruited from the shop floor – found employment in unions associated with the various labor and social democratic parties. Even more found work as local, state, and federal politicians, or as bureaucrats associated with such political figures. The inevitable result of this, Michels (1911/2001: 229) was "a new dominant minority," a working-class oligarchy that progressively entrenched their own interests "in the name of socialism."

Among labor and management theorists the so-called "labor problem," which manifested itself in strikes, trade unionism and a political contest for control of the economy, produced two main responses in the pre-1914 period. The first of these, associated with Beatrice and Sidney Webb in Britain, and John Commons and the so-called Wisconsin School in the United States, called for an industrial compact between management and organized labor. In every sector of the economy, the Webbs (1897/1920: 279, 281) noted, the prime objective of the various unions was a "Common Rule" that would standardize wages and conditions across the entire industry. Such standardization, the Webbs (1897/1920: 716–718) believed, benefited both management and labor, forcing managers to do their "utmost to raise the level of efficiency so as to get the best possible return for the fixed conditions." In other words, labor regulation worked to enhance, rather than retard, productivity and workplace efficiency. In the United States, John Commons, in a book entitled *Trade Unionism and the Labor Problem*, argued a similar thesis. Industry-wide collective agreements, Commons (1905: 11) suggested, benefited the fair and honest employer by "taking wages out of competition," thereby depriving the unscrupulous employer of any unfair advantage.

Perhaps unsurprisingly, relatively few early twentieth century employers showed much interest in a compact with organized labor. Greater curiosity was shown in the ideas of a professional engineer and business consultant, Frederick Taylor, who published his *The Principles of Scientific Management* in 1911. As most readers would be aware, Taylor's views on "scientific management" have always garnered divided opinion, both within his lifetime and since. The premises from which Taylor operated, however, are perhaps best summed up by Edwin Locke (1982: 15), who observed that Taylor believed that conflict between management and organized labor could be avoided "as long as the [economic] pie were large enough." Because the pie was larger, workers could look forward to higher wages, even as employers secured higher profits. To achieve this desirable outcome, Taylor advocated five basic principles to improve workplace efficiency. The first of these, which is typically overlooked in most accounts of scientific management, emphasized the need for a "close, intimate, personal relationship" between management and the individual worker, a relationship in which the manager provided their workers with "the most friendly help" (Taylor 1911/1967: 26). Without such personal relationships, Taylor argued, all other prospective changes would almost certainly come to nought. The second reform that Taylor (1911/1967: 36) called for was for a revolution in managerial thought and practice, in which managers assumed "new burdens, new duties, and responsibilities never dreamed of in the past." Building on his call for a managerial revolution, Taylor articulated his best-known principle: that management had to instruct workers in the "one best method" of doing each and every work task (Taylor 1911/1967: 25). In doing so, Taylor (1911/1967: 21) argued in favor of his fourth key principle, whereby managers were advised to overcome "systematic soldiering" by employees, a silent conspiracy waged by workers so as to maintain control of the (slow) pace of work. Finally, Taylor (1911/1967: 32–33) linked increased worker productivity with a system of "special incentives" such as higher pay, reduced hours of work, and faster promotion.

By 1914, the industrializing societies of both the Old World and New World found themselves in a paradoxical situation. As Fig. 8 indicated, real wages had never been higher. A revolution in transport, associated with steam-powered ships and railroad locomotives, made transport to even fast distant locations an easy and comparatively inexpensive task. Children had largely disappeared from the workplace, their parents sending them off instead to long years of schooling. Clothing had become an inexpensive item in the household budget. Slavery and serfdom were distant memory. Yet, at the same time, evidence of social unrest and worker disquiet was all too obvious. Reflecting back on the years that immediately preceded World War I, George Dangerfield (1935: vii, 207) in his *The Strange Death of Liberal England*, recalled how "by the end of 1913 Liberal England was reduced to ashes," destroyed in part the industrial militancy of the "workers of England." Such was the level of worker discontent, Dangerfield (1935: 207) added, that militancy "might have reached a revolutionary conclusion" but for the intervention of war, when workers abandoned strike action to rally around the flag. The problems over which Dangerfield and others fretted pointed to a failure by management to resolve the "labor problem." For the fundamental failing of the pre-1914 solutions to the "labor problem," whether advocated by the Webbs, Commons, or Taylor, was to largely associate worker satisfaction with extrinsic rewards (i.e., money, shorter hours, and promotion). What was missing in such calculations was an understanding of what was lost in the transition to an industrial society. Yes, it is true: industrialization had delivered untold material benefits which few workers wished to throw away. But it also caused a loss of autonomy, a feeling that the individual worker was no longer the master of their own destiny. On the other side of the Great War, it was these concerns – relating to human dignity, emotion, and sense of worth – that was to increasingly preoccupy management, rather than traditional concerns relating to production and efficiency.

Conclusion

Often talk of historic "turning points" and "revolutionary change" turns out to be more literary hyperbole than an accurate reflection of lived reality. The period between 1750 and 1914 was, however, a time of truly revolutionary change on an unprecedented scale. In 1750, even in England, most people lived and died within sight of where they were born. If they lived away from the coast, where water transport allowed the importation of products from distant locations, they had to make do with goods made locally. Land transport was simply too slow, too expensive, and too risky to allow for significant internal markets. Among the vast bulk of the population, there was little understanding of time, beyond the rising and setting of the sun and the passing of the days. In the absence of clocks, and the accurate measurement of time, there could be little understanding of labor efficiency, i.e., the capacity to produce a good or service in a specified period. The absence of artificial lighting, other than smelly and expensive tallow candles, meant that work had to be curtailed at sunset. Hand spinning and weaving of cloth made clothing an expensive household item. Most people owned no more than two sets of clothes, one or both of which would typically be hand-me-downs. By the late nineteenth century, however, life was profoundly different at every level. Mechanization, railroads, steam-powered shipping, the ever-present factory clock and siren, and artificial lighting (kerosene lanterns, gas and electric lighting) transformed life across the world. Mass markets brought not only much cheaper goods within range of the typical household but they also brought competition, with all its transformative and destructive effects. Even in the remote villages of the Indian Punjab or the Ganges Valley, there was no escaping the new economic and managerial order. Across the subcontinent, railroads brought cheap British-made products into the local marketplace.

The new world order that emerged after 1750 was both the creation of a new system of management and the creator of modern management. In many areas, management built on past achievement. Double-entry book-keeping and efficient systems of accounting were a late medieval inheritance, the product of long-distance commerce. As Cipolla (1981: 180) noted, the post-1750 world also inherited from medieval Europe a mechanical "inventiveness," proving itself "extraordinarily receptive" to technologies imported from elsewhere. In England, moreover, the pre-1750 expansion of coal production allowed it to overcome the "main bottleneck of preindustrial communities ... the strictly limited supply of energy" (Cipolla 1981: 113). Across Western Europe, a long series of battles had gradually ensured the protection of private property. In the final analysis, however, all of these pre-1750 achievements only brought England, Europe, and subsequently the whole world to the cusp of a new economic and managerial order. The final step required innovation, risk taking, and a certain level of ruthlessness. As McCloskey (1985: 67) accurately noted, ultimately the "explanation of the [industrial] revolution must be sought in ... human effort and spirit, and in the luck of invention." Initially, in the first stage of the Industrial Revolution (1750–1830), innovation was largely confined to textile production. Technological and economic take-off in this sector of the economy, however, soon led to a cascading series of revolutions in logistics, transport, and agriculture that integrated the New World into the new systems of production and management. Along the way, management had to confront novel problems. In the new factories, shipyards, and steel works, the most difficult task was arguably that associated with the recruitment, training, and motivation of legally free workforces. Almost immediately, this new industrial workforce gained a fair measure of bargaining power. At the individual level, they could walk away, finding work in another factory or catching the train to a distant region. Collectively, they could and did form trade unions, threatening employers with widespread industrial stoppages. The growth of mass markets brought with it increased levels of competition, forcing managers to constantly improve and innovate. Competition also made an understanding of internal costs a necessity. Attentiveness to costs led to a focus on productivity, i.e., the maximization of outputs from a minimum of inputs. An emphasis on productivity caused management to be attentive to time-measurement as managers increasingly focused on the intensity of work and the efficiency of labor. Competition and high capital costs also forced firm specialization in its intended area of "comparative advantage." As real wages rose, and the number of middle-class managers and professionals grew, so too did pools of savings. By accessing these large pools of small individual savings, investors were able to engage in more capital-intensive activities. As Bryer (1991: 447) noted in reflecting upon investment in Britain's railroads, most of the money tapped for railroad expansion came not from "the very wealthy" but rather from "provincial merchants," "entrepreneurs," and the "middle-classes." After 1860, it was these capital-intensive activities – shipping, steelmaking, oil drilling and refining, and, above all, the railroads – that became the defining characteristic of the new global economy.

If the achievements of the 1750–1914 period are indubitable, there was nevertheless by the time of the First World War a deep sense of pessimism as to the future. Writing after the war, Keynes (1920: 217, 213) detected a decline in productivity that he feared was irreversible, warning his readers that, "The danger confronting us . . . is the rapid depression of the standard of life of the European populations to a point which will mean actual starvation." Although Keynes clearly underestimated the managerial and entrepreneurial capacities of the new industrial societies, the problems he identified were, in part, attributable to managerial failings. Pre-1914 managers typically paid more attention to the *costs* of production than the *purpose* of production. As Chester Barnard (1938: 82) observed in his pioneering study, *The Functions of the Executive*, "efficiency" was meaningless without "effectiveness," an attribute which he defined as "the relevance of its purpose to the environmental situation." Even greater problems were evident with the so-called "labor problem," a difficultly that manifested itself after 1914 in armed revolution in Russia, Hungary, Germany, and Italy. This problem and these revolutions were proof that satisfaction of material needs was no guarantee of either employee happiness or social harmony. As Elton Mayo (1933: 165, 172) was to note in his *The Human Problem of an Industrial Civilization*, the "modern condition" often manifested itself in "social disorganization," "personal maladjustment," and a sense of "personal futility." The redress of this "human problem" was to become – and remain – the central problem of management in the post-1914 world.

Cross-References

▶ Conflicting Understandings of the Industrial Revolution and its Consequences: The founding Figures of British Management History
▶ What Is Management?
▶ Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861

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Part IV

The Foundations of Knowledge and Management: An Introduction

The Foundations of Knowledge and Management: An Introduction

13

Bradley Bowden and Kaylee Boccalatte

Contents

Abstract

As a discipline, management history has suffered from the fact that it has typically paid insufficient heed to economics, just as economics has suffered from paying insufficient heed to management and the mechanics of production. In recent years, management history has also divided over matters related to epistemology, the intellectual principles that guide our inquiries and understandings of the world. Accordingly, this Part of the Handbook has two aims. First, it explores the core theoretical principles that have informed economics through a study of classical economics, neo-classical economics, and Marxism. Second, it considers the origins of contemporary debates relating to positivism and postmodernism in the intellectual ferment of the eighteenth and early nineteenth centuries, a period that witnessed both epistemological understandings that supported the emergence of capitalism and modern management as well as philosophies deeply opposed to the advance of science, rationality, and industrialization.

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Problems of Economic Understanding

In the general introduction to this *Palgrave Handbook of Management History*, we observed that, "Management history as a discipline is different from business and economic history in that it is primarily concerned with the supply side of the economic equation, with the nature of work, the ideas that guide it, and the economic wealth that is produced" (▶ Chap. 1, "Management History in the Modern World: An Overview" by Bowden). It is also noted that one of the weaknesses of management history is the lack of attention that is typically paid to economics, a failing that mirrors that found in economics, where economists typically pay insufficient heed to management, the problems of production, and what makes for an efficient and effective business. Where economic concepts are utilized in management and business history, they are often used in error. Alfred Chandler (1977: 1), for example, in the opening page of his famed study, *The Visible Hand: the Managerial Revolution in American Business*, spoke of "what Adam Smith referred to as the invisible hand of market forces." In fact, as we discuss in the chapter in this Part entitled, ▶ Chap. 15, "Economic Foundations: Adam Smith and the Classical School of Economics," Smith never spoke of "the invisible hand of the market." Instead, in his only reference to "an invisible hand" in *The Wealth of Nations*, Smith (1776: Book IV, Chap. 2, para. 9) associated the concept with self-interest and the economic pursuits of the individual businessperson, declaring that in directing "industry":

> . . . in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

Spurious understandings of economics in general and Smith in particular also characterize Cummings et al's (2017) recent *A New History of Management*, where the authors fancifully claim that Smith was an enthusiast of neither capitalism nor the division of labor. Such conclusions are belied by Smith's (1776: Book 1, Chap. X, para. 53) observation that, "In opulent countries the market is generally so extensive that any one trade is sufficient to employ the whole labour and stock of those who occupy it." Only in "poor countries," Smith (1776: Book 1, Chap. X, para. 53) added, did one witness production methods built around anything other than the "division of labor."

Even if economics has played – and will continue to play – a secondary role in management history, it is nevertheless the case that the management historian invariably brings to their analysis an understanding of economics, be it implicit or explicit, spurious, or accurate. One of the primary purposes of this Part is therefore one of redressing misunderstandings of economics. To this end, this Part devotes chapters to both classical and neo-classical economics. In the first of these, we (▶ Chap. 15, "Economic Foundations: Adam Smith and the Classical School of Economics" by Bowden) discuss how the genius of Adam Smith lay in his capacity for synthesis rather than in original thought. His ideas on "self-interest" as the prime motive force in a capitalist society were derived from his close friend, David Hume. His concept of value was obtained from the French *physiocrat*, Richard Cantillon. Such was Smith's propensity to borrow unreferenced ideas from others that Murray Rothbard (2006: 435) declares him "a shameless plagiarist, acknowledging little or nothing and stealing large chunks . . . from Cantillon . . . he originated nothing that was true." Rothbard's condemnation was misplaced. Yes, Smith borrowed some of his central concepts from others without formal acknowledgement. Nevertheless, in synthesizing concepts derived from elsewhere, and adding insightful additions of his own, Smith deserves his status as the effective founder of modern economics. One of the key distinctions that Smith drew, and which still escapes the understanding of many, is the distinction between "wealth" and "capital." This distinction certainly eluded Thomas Piketty in his much cited but deeply flawed study, *Capital in the Twenty-First Century*. Throughout his study, Piketty (2012/2014) constantly conflated "wealth" and "capital," using the terms interchangeably. However, as Smith understood, "wealth" (i.e., consumables, jewellery, wine, etc.) is something that results from the combination of "labor" and "capital" (i.e., machinery, factory buildings, etc.). As such items of personal "wealth" typically have an "exchange" value but little if any "use" value. Accordingly, the productive capacity of a society ultimately rests on the "wealth" that it allocates to "capital" rather than the goods and services that it consumes at any given point in time.

In our second chapter on economic thought, we (▶ Chap. 16, "Neo-classical Thought: Alfred Marshall and Utilitarianism" by Boccalatte) explore how understandings of utility and value were transformed through the insights of Jeremy Bentham, David Ricardo, John Stuart Mill, and, above all, Alfred Marshall. Whereas Adam Smith primarily understood "utility" as a good's usefulness to a consumer, Jeremy Bentham (1781/2000), in his *An Introduction to the Principles of Morals and Legislation*, made "utility" the basis of a complex moral philosophy, one where individual choice is driven by an oscillating sense of pleasure and pain. Libertarian in its ethos, utilitarianism in Bentham's analysis always returns to individual choice, to the individual capacity to choose between pleasure and pain. By contrast, for Ricardo – as subsequently for Marx – the utility or value of a good was associated with the quantity of labor invested in its production. For his part, John Stuart Mill, in considering the problems of utility and value, found inspiration in both Bentham and Smith. In one of his later works, *Utilitarianism*, Mill (1861/2009) adopted an essentially hedonistic view of utilitarianism. More commonly, however, Mill spoke of utility in classical economic terms, adding little to the opinions previously advocated by Smith. It was the genius of Marshall, however, who fundamentally transformed not only our understandings of utility and value but also of economics more generally. As Marshall understood it, utility does not exist in isolation, just as production is incomprehensible apart from consumption. Instead, utility is influenced by price. In other words, a good's usefulness to me is indicated by the price that I am prepared to pay for it. For almost every good or service, there will thus come a point where the price at which it is sold exceeds its perceived utility, an outcome that curtails demand. Each good or service thus has what Marshall (1890/1997) called its "marginal utility," a want that increases or diminishes in accordance with price.

If classical and neo-classical are central to understandings of management in liberal, free market economies, it is also the case that these understandings have always encountered opposition: from "romantic" defenders of a bucolic existence, Marxists, non-Marxian socialists, anarchists, postmodernists. During the latter half of the nineteenth century and for most of the twentieth century, capitalism's principal opponent was Marxism. In our third chapter on economics, we (▶ Chap. 18, "The Marxist Opposition to Capitalism and Business" by Boccalatte) consider not only the nature of Karl Marx's ideas but also how these ideas emerged out of a now largely forgotten debate between a youthful Marx and the French socialist, Pierre-Joseph Proudhon. In responding to Proudhon's (1847/1888) *La Philosophie de la Misère* (*The Philosophy of Poverty*) – a work that argued that capitalism and its system of private property is based upon theft – Marx (1847/1955) penned a similarly (if sardonically) titled book, *La Misère de la Philosophie* (*The Poverty of Philosophy*). As we note, many of the core concepts that came to characterize Marxism – that labor is the sole source of wealth, that the capitalist acquires wealth by purloining the "surplus-value" of the waged laborer, that the ever-increasing use of machinery was furthering both the growth of a proletariat and an inevitable class conflict – were derived from Proudhon. Despite this acquisition, however, we suggest that it is wrong to depict Marx as a plagiarist. As with Smith, who derived his key ideas from Hume and Cantillon, Marx used his understandings to reach fundamentally different conclusions to Proudhon, synthesizing novel understandings of economics and politics. Whereas Proudhon's view of capitalism was uniformly hostile, Marx's understandings – as expressed in *Capital* – were more nuanced. Where Proudhon perceived the worker as the sole creator of value, Marx (1867/1954: 72–73) argued that capitalist production was always a collective endeavor with the "specific social character of each producer's" efforts only revealing "itself in the act of exchange." Accordingly, Marx (1867/1954: 146) continued, "The circulation of commodities is the starting-point of capital." In short, Marx – like Marshall – argued that the problems of capitalism and management can never be ascertained solely by looking to workplace circumstances. We also need to locate these problems within the wider context of the society that it serves. The tragedy of Marxism, of course, lay not only in its belief that the capitalist market could be replaced by a planned economy, but also in its understanding that history *always* revolved around class struggle. In every Marxist society, to a greater or lesser extent, this view of society manifested itself in woes far more grievous than a stultified market and a chronic mismatch between production and consumption. It also resulted in societies built upon denunciation, in which every failing is perceived to be the result of some real or imaginary enemy.

Problems of Epistemology

If the problems and achievements of management cannot be understood apart from economics, and the debates that economics has engendered, it is also the case that debates as to the nature of management are intertwined with different understandings of epistemology. Many now subscribe to Michel Foucault's (1976/1978: 100) view that, "it is in discourse that power and knowledge are joined together." Conversely, many "traditional" historians, positivist by inclination, ascribe to a "common sense" view of knowledge, sharing Thomas Hobbes's (1651/2002) learned opinion that, "science is the knowledge of consequences, and dependence of one fact upon another." Unfortunately, for the advocates of a "common sense" view of knowledge, one does not need to be a postmodernist to ascertain the flaws in their epistemological premises. As the great Austro-English philosopher, Karl Popper (1935/2002: 12) observed, "the most important and most problems of epistemology must remain completely invisible to those who confine themselves to analyzing ordinary or common-sense knowledge." For it is the nature of the human condition that our minds constantly deal in abstractions – management, freedom, productivity, marginal utility, use value, geometry, algebra – that are a creation of our minds, not the world. Historical processes are also in large part the product of social and economic institutions, of accumulated capital and physical resources. But they are also the result of human consciousness and will, of attempts to reshape the world anew. As an historian, there is thus no greater difficultly than in giving proper weight to these different motive forces, one grounded in the past (i.e., institutions, physical resources, culture, etc.) and the other in the present (i.e., human consciousness and will).

One of the unfortunate tendencies that mares contemporary management history is the tendency to embrace various epistemologies and methodologies without explaining either their origins or, more importantly, the *implications* for using the nominated approach *vis-à-vis* another. Accordingly, the first and second last chapters in this Part – (▶ Chap. 14, "Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor" by Bowden) and (▶ Chap. 17, "Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management" by Bowden) – speak to the origins of the intellectual debates that currently transfix management history: debates that see postmodernist understandings opposed to more "traditional" approaches grounded in positivism.

Through an exploration of the origins of the empiricist or positivist tradition, the first chapter in this Part – ▶ Chap. 14, "Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor" – pays special heed to the foundational ideas of Hobbes, John Locke, David Hume and Edmund Burke. Among the exponents of the empiricist or positivist tradition, arguably none was more insightful then Hume. In his most significant work, *An Inquiry Concerning Human Understanding*, Hume outlined three key propositions. First, Hume (1748/1902: 25) began by noting that "human reason" deals with not only "matters of fact" but also with the "operation of thought, without dependence on what is anywhere existent in the universe." In explaining this distinction, Hume noted the common use of circles and triangles in geometry, even though "there were never a [pure] circle or triangle in nature." The second foundational principle that Hume expounded was one that emphasized the fundamentally skeptical and conservative nature of the intellectual tradition that Hume himself helped establish. Declaring, "our thought" is "confined within very narrow limits," Hume (1748/1902: 19, 30) concluded that we are incapable of determining "any single evident, or infer any cause or effect, without the assistance of observation and experience." Finally, and most controversially, Hume argued that the human mind is incapable of judging cause and effect relationships given the uniqueness of each historical experience. As a result, Hume (1748/1902: 36–37) advised his readers, the most we can ever infer is that from "causes which appear *similar* we can expect similar effects. This is the sum of all our experimental conclusions" [stress in original].

In reflecting upon Hume's arguments, the German philosopher, Immanuel Kant (1783/1902: 3–4), thoughtfully concluded that, "since the origin of metaphysics ... nothing has ever happened which was more decisive to its fate than the attack made upon it by David Hume." In turning to Hume's key argument – that human reason is incapable of determining cause and effect – Kant (1783/1902: 58–59) came to argue on a contrary proposition, that the "concept of cause ... is a pure concept of the understanding, which is totally disparate from all possible perception." Often derided as an idealist philosopher, Kant (1783/1902: 48–49) himself vigorously denied the charge, declaring: "My protestations ... against all charges of idealism is so valid and clear as even to seem superfluous ... My idealism concerns not the existence of things ... since it never came into my head to doubt it." In his most famed study, the *Critique of Pure Reason*, Kant (1787/2007: 348) continued his denial of charges of idealism with the declaration that "the real, or the material" exists in "space actually and independently of all fancy." Nevertheless, despite this denial, Kant continued to chart a fundamentally different path to Hume, establishing in the process a third intellectual tradition in between empiricism on the one hand and philosophical idealism on the other. For whereas Hume believed that reason and thought progressed from empirical observation, Kant (1787/2007: 137) argued the reverse, stating,

> All knowledge requires a concept, however obscure and imperfect that concept may be; and a concept is always, with regard to its form, something that is general and that can serve as a rule.

If Kant sought to weave a path between pure empiricism and pure idealism, in the course of the nineteenth century the various strands of idealist philosophy grew in strength, intermingling with the English "Romantic" tradition and eventually giving motive force to postmodernism is its disparate hues. Beginning our discussion of philosophic idealism in the first chapter in this Part (▶ Chap. 14, "Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor"), we return to a discussion of German idealism and English Romanticism – and the ways in which they have informed postmodernist thought – in our penultimate ▶ Chap. 17, "Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management."

Although the linkages between philosophical idealism and the dominant figures in postmodernist thought – Jacques Derrida, Michel Foucault, Hayden White – are rarely discussed in the "critical management" literature, it is our contention that it is impossible to understand these dissident traditions apart from their origins in German idealism. Like Nietzsche, who declared that through acts of will it is always possible to break the "invisible spell" of societal mores (Nietzsche 1886/1989: 31, 27), Foucault (1966/1994: xx) believed that we can break free of the "fundamental codes" of "culture" through acts of will. This Foucauldian/Nietzschean emphasis on consciousness and will as transformative forces owes a clear debt to Schopenhauer's (1859/1969) *The World As Will and Representation*, a work that proclaimed that, "this world is, on the one side, entirely *representation*, just as, on the other, [it] is entirely will" [emphasis in original]. In turn, not only Schopenhauer but also Nietzsche, Foucault, Martin Heidegger, and Derrida derived core understandings from Friedrich Schelling's (1809/2006) *Philosophical Investigations into the Essence of Human Freedom*. In this, Schelling (1809/2006: 33) argued for the "complete freedom" of individual consciousness and will "above and outside of all nature." In his critique of modernity, Derrida also found inspiration in an intellectual lineage that stretched back through Heidegger, Edmund Husserl, Schopenhauer, and Schelling to Johann Fichte, arguably the true founder of German idealist thought. Like Derrida, who argued that language had "traces" of previous forms of existence of which the author is often unaware, Fichte (1799/1910: 7) argued, that "every existence" signals within it "another existence."

In exploring the intellectual roots of postmodernism and other idealist traditions hostile to capitalism and modern forms of management, our penultimate chapter also traces the way in which a critical tradition emerged through the cross-fertilization between German idealism and English "Romanticism." Like the English Romantics – who believed that the new factory cities cut humanity off from what Wordsworth (1802/1935: 296) described as "eternal Nature, and the great moving spirit of things" – Fichte (1799/1910: 11) declared that "Nature is one connected whole." Within this spiritually infused Nature, Fichte (1799/1910: 11) continued, one cannot "move a single grain of sand . . . without thereby . . . changing something throughout all parts of the immeasurable whole." Finding a resonance in the contemporary environmental movement, the English "Romantics" (William Blake, Samuel Coleridge, William Wordsworth, Percy Shelley, Mary Shelley, John Polidori, Lord Byron) also argued that the human spirit found "a better soil" in a "low and rustic life" than it did in an urban existence (Wordsworth 1800/2009: 142, 144). Far from offering humanity a way forward, William Blake (1808/1969: 481) famously argued in its epic poem on *Milton*, industrialization condemned ever-growing numbers to lives among "dark Satanic Mills."

The enduring value German idealist philosophy and English "Romantic" literature is found in its emphasis on human consciousness, spirit, and will as central elements in the historical experiences. Nevertheless, the depiction of a bucolic existence as one superior to that offered by an advancing modernity was a figment of largely aristocratic imaginations. For the overwhelming majority of the population in a preindustrial society the reality of daily life was one of filth, illiteracy, powerlessness, backbreaking toil, disease, and early death. As the French political theorist, Jean-Jacques Rousseau (1762/1979: 47) observed in reflecting upon life in eighteenth-century France, "Almost all of the first age is sickness and danger. Half the children born perish before their first year." Although there is a tendency to think of the Renaissance, the Reformation and the Age of European Discovery as an era of rising prosperity, in truth the conquest of empire and a one-sided trade with the non-European world did little to change the living conditions of people either within Europe or without. As Palma and Reis's (2019) recent study has shown, despite the benefit of empire the per capita incomes of most European societies in the mid-nineteenth century remained barely above the subsistence level. Accordingly, as Fig. 1 indicates – which records per capita income in so-called Geary-Khamis "international" United States dollars that adjust for inflation and national price variations – only in Britain do we witness a society able to break from of the misery and poverty that was the historic norm. In doing so, Britain provided the world with an economic and managerial model where the benefits soon far outweighed the long-term costs. If the English "Romantics" in particular provided an idealized image of preindustrial life that little corresponded to reality, it is also the case that – with the partial exception of Percy and Mary Shelley – both the English "Romantic" movement and German idealism tended to regard democracy and the advance of the common citizen with disdain. Of the English advocates of the popular vote, Byron (1820/2015: 353) declared them "a pack of blackguards . . . who disgust me with their Cause . . . I shall pause before I lend myself to the views of such ruffians." In a similar vein, William Wordsworth (1821/1978: 27–28) argued that only through "an

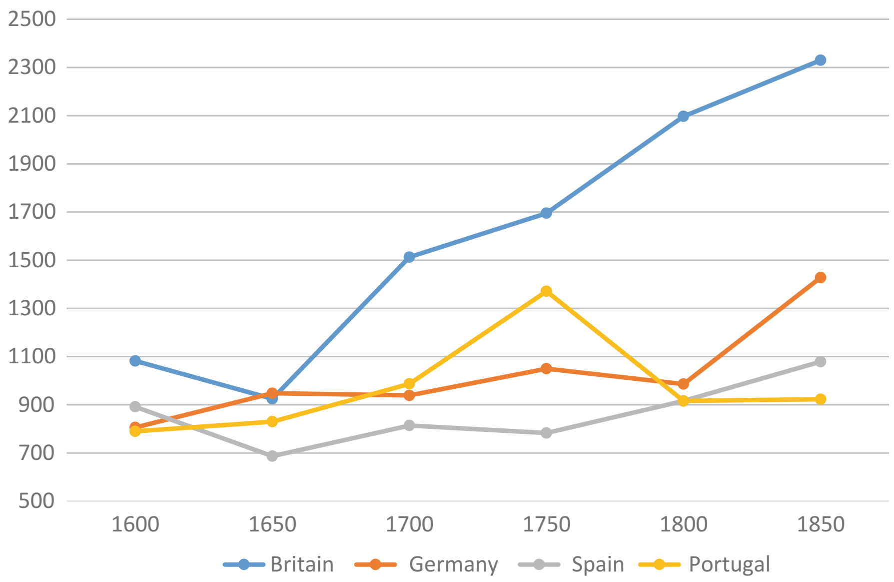

Fig. 1 Output per Capita in US Dollars (1990 value), 1600–1850 –England, Germany, Portugal and Spain. (Source: Palma and Reis, "From Convergence to Divergence," p. 500, Table 4)

armed Yeomanry" and a "Press properly curbed" was the maintenance of "order" possible. For Nietzsche (1874: 39–40) as well, "the popular masses and working classes" were "dangerous," "unintelligent," the "lowest clay and loam layers of society."

If those who seek inspiration in the intellectual traditions of German philosophic idealism and English "Romanticism" are misinformed if they think these traditions are democratic in ethos, it is also the case that one is misguided if one believes that these traditions are the basis for a sound epistemology, a set of principles that helps one explain the world. Yes, it is true, as Popper pointed out, that the empiricism of Hume was misguided in its rigid adherence to experience and observation as the touchstone of understanding. Nevertheless, as Popper (1935/2002: 280) accurately observed in *The Logic of Scientific Discovery*, "We do not stumble upon our experiences, nor do we let them flow over us like a stream. Rather, we have to 'make' our experiences . . . every step is guided by theory." In other words, as Kant inferred, research begins with concepts and theses, with propositions that act as our guides, guides to whom we adhere or dispense with to the extent that their guidance is confirmed by evidence.

Central to the debates that currently divide management history, as it divides other disciplines, is the process of energy-intensive industrialization that commenced with the "Industrial Revolution." Few of us stop to think, however, of where the term "Industrial Revolution" came from – a term used neither by John Stuart Mill nor Karl Marx. Nor do we stop to consider why the Industrial Revolution is typically dated from 1760 to 1830, dates that correspond with the accession of George III and the death of George IV rather than any particular economic or technological transformation. The arbitrary nature of the dates and terminology associated with *the* Industrial Revolution are such that the Chicago-based John Nef (1943: 1) declared that, "There is scarcely a conception that rests on less secure foundations." In the final chapter of this section, therefore, we explore how the concept of the "Industrial Revolution" emerged from the posthumous publication of the lectures of Arnold Toynbee the elder (1884/1894), a work that gained renown as *Lectures on the Industrial Revolution of the eighteenth century in England*. From this starting point we (▶ Chap. 19, "Conflicting Understandings of the Industrial Revolution and Its Consequences: The Founding Figures of British Management History" by Bowden) explore in our final chapter, how the concept of *the* Industrial Revolution became a source of contestation among economic, labor and social historians – most notably John Nef, John Clapham, Arnold Toybee the younger, Sidney and Beatrice, E.P Thompson and Sidney Pollard – and how the discipline of management history arose in large part as a response to these debates.

Cross-References

▶ Conflicting Understandings of the Industrial Revolution and Its Consequences: The Founding Figures of British Management History
▶ Economic Foundations: Adam Smith and the Classical School of Economics

▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
▶ Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
▶ Neo-classical Thought: Alfred Marshall and Utilitarianism
▶ The Marxist Opposition to Capitalism and Business

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Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor

14

Bradley Bowden

Contents

Abstract

At first glance, the matters pertaining to research appear self-evidently simple. On the basis of evidence and testing, we draw conclusions that are amenable to further scrutiny. Complacency disappears, however, the moment we think seriously about the nature of evidence and human reasoning. If we are seeking for generalizable theories that help explain the human condition, how can we do this in ways that give weight to individual being, whereby humans interact with the world in idiosyncratic ways? Do we give primacy, as idealist philosophy would suggest, to individual consciousness? Or, alternatively, are we to be guided by observed experiences and evidence, as the empiricist or positivist tradition would have us do? Should we embrace both inductive logic and deductive logic or should we – as Karl Popper suggested – abjure the former and only rely on the latter? In seeking answers to these problems, this chapter argues in favor of a middle course. We should accept, as idealist philosophy contends, that our understandings are not generated directly through sensory perception and experience but rather through the play of experience on our imagination and reasoning. Conversely, we should reject the extreme skepticism of idealist thought,

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recognizing that there is an objective world independent of our fancy. We should also reject Popper's aversion to inductive logic so as to embrace all the conceptual tools at our disposal. For if deductive logic has great utility for testing theories, it is also the case that inductive logic is of particular benefit in generating new theses.

Keywords

Berkeley · Empiricism · Foucault · Hobbes · Hume · Idealism · Kant · Locke · Marx · Popper · Positivism · Postmodernism · Rousseau · Vico · Weber · White

Introduction

As first blush, the roots of modern business and managerial endeavor seem self-evident. They are located in the Industrial Revolution, when a combination of science, new technologies, and new managerial principles associated with the efficient use of resource inputs enabled modernizing economies to break earlier bonds. In explaining the "novel" features of modern "industrial management," Sidney Pollard (1965: 6), in his *The Genesis of Management*, accurately observed that British managers in the late eighteenth century differed from their predecessors in combining "different objectives and methods into one," methods associated with motivating legally free workforces in ways that enabled them to sell their output "competitively." Yet to get to this point, managers and their workers – and indeed the society at large – had to cross an intellectual divide that separated them from previous generations. On one side of this divide was a world that is now utterly alien to us, a world associated with hidebound beliefs, superstition, and deference to religious authority. On the other is the intellectual world that we take for granted, a world characterized by critical thinking, experiment, and a capacity to apply innovative ideas to practical problems. The difficulties involved in crossing this divide between the premodern and modern worlds are perhaps best indicated in the preface to the book within which in 1541 Nicolaus Copernicus enunciated his revolutionary theorem that the sun was at the center of the solar system. Fearing with considerable justification that his beliefs would see him condemned for heresy, Copernicus (1541/2008: 4–7) directed his preface to then Pope, Paul III, calling upon him to recognize rationality and reason as the touchstones for any debate: not long-accepted tradition. In doing so, Copernicus put forward two revolutionary maxims that effectively launched what we think of as the "scientific revolution." First, Copernicus (1541/2008: 4) suggested that every "philosopher" should "endeavor to seek the truth in all things, to the extent permitted to human reason by God." Having made "human reason" the effective judge of every problem, Copernicus (1541/2008: 5) then argued that belief should always be based on hypotheses supported by empirical evidence. "For if the hypotheses," Copernicus (1541/2008: 5) explained, are "not false, everything which follows" from the hypotheses "would be confirmed beyond doubt."

Although Copernicus crossed a perilous divide with his publication of *De Revolutionibus* (*On the Revolutions*) in 1541 – a divide so perilous that Copernicus sensibly protected himself from retribution by only publishing his study on his deathbed – generalized acceptance of critical inquiry had to wait to the long century (1650–1789) of the European Enlightenment, what the French referred to as *le siècle des Lumières* (century of light). What gave the Enlightenment its power and transformative effect was not so much its commonality of conclusions, for no such commonality emerged. Rather it was its willingness to subject all aspects of human existence – be it matters relating to science, religion, politics, or economics – to critical scrutiny. In seeking to explain the physical and social worlds, however, all the intellectual traditions that emerged from the Enlightenment confronted the same essential problem: How does one explain human outcomes in ways that identify causal relationships while allowing scope for the free exercise of human consciousness and will? In Britain, the founders of the empiricist tradition – Thomas Hobbes, John Locke, and David Hume – answered this question by giving primacy to the senses. As Hobbes (1651/2002: 3) explained it in his *Leviathan*, a study that effectively launched not only the empiricist tradition but also the Enlightenment's critical inquiries in general, "there is no conception in a man's mind that hath not at first, totally or by parts, been begotten upon the organs of sense. . .The cause of sense is the external body or object." In Hobbes's (1651/2002: 38) well-argued reasoning, "sense and memory" produced "knowledge of fact" upon which "science" could be built, which he defined as "the knowledge of consequences, and dependence of one fact upon another."

The problem with the empiricist tradition, in Hobbes's time as well as our own, is twofold. First, the senses can deceive, producing falsehoods in our imagination, telling us, for example, that the moon is of variable shape and that the earth stands still as the sun transverses the sky. A second and more fundamental problem relates to human consciousness and will, which is not an "external body or object" but rather something internal to each individual. As all of us can understand, it is this consciousness and will that enables humanity to shape the material world into images of its own creation. Recognition of the importance of consciousness and will led inevitably to an intellectual tradition diametrically opposed to empiricism: philosophic idealism. In giving vent to this tradition, the English cleric, George Berkeley (1710/1996: 36), proved its most radical and uncompromising exponent, arguing that with each of us, the *only* thing of which we can be certain is our own consciousness and existence, i.e., the world outside our consciousness may be nothing but illusion. In Berkeley's view, our sense of there being a material world – which imposes a clearer sense of being "real" than mere dreams or imaginings – is due solely to the fact that "ideas of sense are more strong, lively, and distinct than those of the imagination." Over time, the idealist tradition bifurcated into two distinct streams of thought. On the one hand, there were those, most notably Georg Hegel, who detected commonalities in the exercise of human consciousness and will; commonalities that Hegel (1837/1956: 36) argued reflected the existence of God's divine plan which "philosophy strives to comprehend." Opposed to this strand of idealist thought was a tradition which found its foremost exponent in Friedrich

Nietzsche and which held that human will was – or should be – the primary factor in all human endeavors. As Nietzsche (1883/1970: 137) explained it in *Thus Spoke Zarathustra*, everything stems from "the will itself, the will to power, the unexhausted, procreating life-will."

To complicate matters further, there emerged – in between the rival traditions of empiricist and idealist thought – a third tradition associated with the work of Immanuel Kant (1788/2002: 71) that self-consciously sought to bridge the "cognition that concerns the existence of things" (i.e., empiricism) and the "toughest skepticism (sic)" of idealist inquiry. Although often dismissed by his critics as merely a more sophisticated exponent of idealist thought – the noted management scholar, Edwin Locke (2002: ix), blaming Kant for the rise of postmodernism with the declaration that Kant "was the first philosopher to sever reason (consciousness) from reality" – Kant himself saw his efforts differently. As Kant (1788/2002: 71–73) explained it in his *Critique of Practical Reason*, we can only "deduce" causal relationships through the analysis of abstractions, abstractions that are, however, drawn from observations of the objective world. Accordingly, causal relationships are not self-evident but must instead emerge from the systematic scrutiny of evidence. In the view of Karl Popper (1935/2002: 23), it was through this realization that scientific conclusions stemmed from the testing of theories – not from direct observation – that Kant made his singular contribution to Western thought. Where Kant differed from Popper, and from the empiricist tradition more generally, was in giving primacy to logical induction – where one proceeds from observation of evidence to the generation of theories – over logical deduction (i.e., the testing of theories against evidence) (For Popper's rejection of inductive reasoning, see Karl Popper, *The Logic of Scientific Discovery*, 6). In justifying his preference for logical induction, Kant (1787/2007: 137) declared in his *Critique of Pure Reason* that "All knowledge requires a concept, however obscure and imperfect that concept may be; and a concept is always. . .something that is general and can serve as a rule."

For most of us, particularly those of us located within practice-oriented disciplines such as business and management, an exploration of the epistemological foundations of the intellectual traditions that inform that practice seems not only daunting but unnecessary. Instead of such endeavors, one suspects a general preference for the guidance offered by David Hume (1738a/1896: 288–289) in the final volume of his *Treatise on Human Nature*, where he advised that the best judge of the difference between fact and fiction was "common sense." There are, nevertheless, two reasons that make an understanding of the foundations of Western thought an imperative. First, a lack of understanding of epistemological foundations exposes one to constant bamboozlement by those who claim – often on the basis of limited and confused "understandings" – to possess such knowledge. Second, the epistemological principles that guide our thinking circumscribe the things that we believe are socially or managerially important and achievable. This is perhaps most evident in the empiricist tradition, which emerged in the first instance from the British struggles against arbitrary authority during the seventeenth and eighteenth centuries, experiences that produced an inherent conservatism as to both the tradition's ambitions and societal objectives. Restraint of arbitrary authority, whether imposed from above or below, was the shared concern of its founding figures. As John Locke (1689/1823: 193) observed in his *Two Treatises of Government*, "Wherever law ends, tyranny begins." It is this caution that makes empiricism, as Popper (1944a: 120) accurately observed, a natural foe of "social engineering" and an advocate instead of "piecemeal tinkering." Inherently cautious, empiricist traditions have always been suspicious of not only radical societal reforms but also of grand theorizing and elaborate conceptual framings. In expressing such caution in his *Leviathan*, Hobbes (1651/2002: 20) declared that those "seeking of truth" should always abstain from "absurd assertions," most particularly those involving "metaphors, tropes, and other rhetorical figures." Among idealist thinkers, those who give priority (as most do) to individual consciousness and will are also necessarily opposed to theoretical generalizations. Accordingly, those steeped in this tradition – as today's postmodernists are – are liable to endorse Michel Foucault's (1969/1972: 8–9, 11) view that the human experience is contingent by nature, characterized by "discontinuities" and a "living, fragile" existence. Conversely, if one is guided by the belief, as Hegel (1837/1956) was, that human consciousness and will are guided by shared commonalities – be they divine or otherwise – then one is prone to detect generalizable laws that explain organizational and societal outcomes. If one stays within an idealist framework, however, then the unifying commonalities must always be psychological or spiritual in nature. Despite such constraints, Hegel's (1837/1956) belief that history was leading toward a preordained high point also proved attractive to those outside the idealist traditions who shared more radical reforming visions. Karl Marx (1873/1954: 19–20), for example, in his afterword to the second German edition of *Capital*, freely acknowledged that his view that history had a preordained purpose was inspired by Hegel's writings, Marx merely substituting social class for God's will as the agent of change. Hegel was, Marx (1873/1954: 20) advised, the first to explain historical outcomes as "working in a comprehensive and conscious manner." Within both his own work and Hegel's, Marx (1873/1954: 20) continued, not only was every "historically developed social form" perceived as being "in fluid movement," in each case history was also seen as being directed toward an ultimate "crowning point."

If epistemological preferences have a profound influence on any given author's research directions and conclusions, so it is the case that a liking for logical deduction over logical induction (or the reverse) must also have weighty implications as to the nature of one's thinking and research. The key benefit of inductive logic, as Henri Poincare (1902/1905: xxi, 167) observed in his *La Science et L'hypothese* (*Science and Hypothesis*), is found not in any certainties that stem from its use but rather in the generation of hypotheses that can then be subject to scrutiny and experimentation. By contrast, as Popper (1935/2002: 25–26) explained, "the deductive [logic] method of testing cannot establish or justify the statements which are being tested." Instead, testing occurs through the scrutiny of subsidiary statements. What is left in abeyance in this process of logical deduction is how we generated our original thesis. As a general rule of thumb, the bigger the research problem we are confronting, the less amenable it is to logical deduction and empirical testing – an outcome that Max Weber (1904/1949: 56) recognized in his article, *Objectivity in Social Science and Social Policy* where he observed that "One thing is certain under all circumstances, namely, the more 'general' the problem involved. . .the less subject it is to a single unambiguous answer on the basis of the data of empirical sciences." This is particularly the case, Weber (1904/1949: 92) argued, with matters relating to culture, leadership, personal charisma, and the factors behind national and regional variation. In dealing with such problems, the best we can hope for, Weber concluded, is evidence that a hypothesis or outcome is "objectively possible" rather than being empirically verifiable.

In summary, understanding of epistemological debates is important primarily because we cannot proceed as researchers in any direction unless we first comprehend the principles that are informing – either consciously or unconsciously – our conceptual and methodological biases. For, as the English historian E.H. Carr (1961/2002: 18) expressed it, "facts. . .are like fish swimming about in a vast and sometimes inaccessible ocean." What one catches in this ocean is primarily determined by the part of the ocean one "chooses to fish in" and the type of fishing tackle one "chooses to use." Everything, in short, stems from conceptual framings. It is only such framings that give "facts" their meaning.

The Empiricist Tradition

If the emergence of the British empiricist tradition was a seminal feature of the European Enlightenment, it is nevertheless the case that this tradition – as with its rivals – owed much to the ancient Greeks. This debt is indicated by the fact that the first major work undertaken by Thomas Hobbes (1629/1839) – a pioneer for the emerging empiricist tradition – was a translation of Thucydides' *History of the Peloponnesian War*, the most sophisticated historical analysis handed down to us from the ancient world, undertaken by a soldier cum scholar described by Molesworth (1839: viii) as "the most politic historiographer that ever writ." There were, in particular, two aspects of Thucydides' work that had a profound influence on Hobbes and through him on us. First, Thucydides outlined an approach to the collection and assessment of evidence that still embodies the empiricist approach. Declaring a preference for "the plainest evidence," Thucydides (c.411 BC/1975: 47–48) also advised the readers of his *History of the Peloponnesian War* that in his "factual reporting," he relied as far as possible on "eye-witnesses whose reports I have checked with as much thoroughness as possible." In assessing the evidence of these primacy sources, moreover, Thucydides (c.411 BC/1975: 48) sought to set aside personal bias and "partiality" and to check different accounts of events so as to minimize the effects of misreporting that inevitably stem "from imperfect memories." Only through such cautious assessment, Thucydides (c.411 BC/1975: 48) concluded, was it possible to discover "the truth" in historical events, a conclusion which – in its abiding belief that there is an objective truth accessible to discerning inquiry – differs little from the much later opinion of the great British empiricist, G.R. Elton (1967/1969: 74), who declared that we "will always be able to say: this once existed or took place, and there is therefore a truth to be discovered if only we can find it."

In addition to his stated approach toward evidence, the second commonality that Thucydides shares with the empiricist tradition that emerged from the European Enlightenment is a profoundly pessimistic view of human nature. From start to finish, the *History of the Peloponnesian War* is a cautionary tale as to the evils and miseries that stem from human ambition and the misuse of acquired power. Even though the war afflicted "unprecedented suffering" and "loss of life, Thucydides (c.411 BC/1975: 48) nevertheless concludes that similar events would transpire in the future. . .and in much the same ways. . .human nature being what it is." Although Thucydides (c.411 BC/1975: 145) cites with favor the principles of democracy – which saw the Athenian leader, Pericles, declare that with democracies "what counts" is "the actual ability" a person possesses "not membership of a particular class" – the democratic practices that he observed during the war proved anything but inspiring. Endorsing a series of populist leaders who favored aggressive military forays away from home and repression of dissident opinion at home, its failings eventually led to its replacement by a broad-based oligarchy based upon Athens's propertied classes. It was this regime, associated with the so-called Council of Five Thousand, that Thucydides (c.411 BC/1975: 598–599) declared to be "a better government than ever before. . .There was a reasonable and moderate blending of the few and the many."

The opinions that informed Thucydides' *History of the Peloponnesian War* – a suspicion of all forms of power and a concern for the protection of proprietary interests – were also a characteristic feature of the foundational texts of British empiricism. As John Locke (1689/1823: 159) concluded in his *Two Treatises of Government*, "The great and chief end. . .of men uniting into commonwealths, and putting themselves under government, is the preservation of their property." In Locke's (1689/1823: 192) assessment, "tyranny" could be exerted by democracies as well as monarchies, by "one or many." Previously, Hobbes (1651/2002) had also emphasized that in every society, the security of life and property overrode every other concern. Wherever people "live without other security than what their own strength and their own invention shall furnish them," Hobbes (1651/2002: 62) observed, "there is no place for industry," and without industry life is invariably "solitary, poor, nasty, short and brutish." Hume (1738a/1896: 252) also held to the opinion that it was "by society alone" that humanity's inherent "defects" were "compensated," leaving an organized society's citizens in every respect more happy, than "tis possible" in their "savage and solitary condition, ever to become."

If the seminal works of British empiricism shared with Thucydides a belief that societies needed to protect their members from the arbitrary actions of the many as well as the few, they also shared with him a liking for "the plainest evidence," built upon scrutiny of verifiable facts. As Hobbes (1651/2002: 5) explained it, proper understandings can only be based upon "experience," experiences that involve the direct use of one's senses. Accordingly, Hobbes (1651/2002: 30) believed that all knowledge stemmed from a "knowledge of fact," which in every case is "originally sense" (i.e., a sensory experience), and "ever after memory" (i.e., memories are differentiated from fantasy by being based on fact and sensory perception). Those who departed from reliance on plain, verifiable facts to create elaborate theories that were not grounded in evidence, Hobbes (1651/2002: 22) argued, merely produced *ignes fatue* (foolish fires) and "innumerable absurdities." The inherent conservatism that was to become a defining feature of British empiricism is also evident when Hobbes shifted his discussions from evidence to theory and causal explanations. In drawing for the first time a distinction between knowledge in the "natural sciences" and the social sciences he also noted that any causal explanation based upon evidence must always be "conditional" given that "No discourse whatsoever can end in absolute knowledge of fact, past or to come" (Hobbes 1651/2002: 30). Among empiricism's founding figures, David Hume was if anything even more scornful than Hobbes of the idea that generalizable laws could be discerned to explain the human condition. As Hume (1738a/1896: 288–89) advised his audience, "strict adherence to any general rules. . .are virtues that hold less of reason, than of bigotry and superstition." As most readers would be aware, the empiricist tradition has maintained this suspicion of generalizable laws across the centuries, Elton (1967/1969: 42) wishfully declaring in his *Practice of History* – a work that was a set text for most budding historians (including this author) in the latter decades of the twentieth century – that few "would probably nowadays fall victim to the search for laws."

Paradoxically, given their belief that it was humanity's flawed nature that demanded a system of societal constraints, the early empiricist thinkers (most particularly Hobbes and Locke) paid scant attention to the role of consciousness and emotion in determining organizational and economic outcomes. Among empiricist thinkers – be they British or French – only Hume made the study of emotion a central part of his work. Devoting the second volume of his *A Treatise on Human Nature* to "passions," Hume (1738a/1896: 240) accurately observed that – unlike reason – "'tis evident our passions" are "not susceptible" to rational "agreement or disagreement." Whereas Hobbes (1651/2002: 3) argued that all "conceptions" were created in the first instance by external bodies or objects, Hume (1738b/1896: 144) differentiated between "impressions of sensation" – which stemmed from external objects – and "reflective impressions," which he defined as "passions, and other emotions resembling them." Having identified "passions" as a key driver of human behavior, Hume (1738a/1896: 145) then drew a distinction between what he referred to as "calm passions" – associated with love, appreciation of beauty, humility, and care for others – and "violent" passions: greed, hatred, feelings of revenge, pride, etc. In any human society, Hume (1738b/1896: 146) argued, the latter was typically more important than the former due to the fact that "more violent" passions produced stronger sensory perceptions than "calm" ones.

Having identified "passions" as a central explanatory factor in human behavior, Hume was confronted with the difficult task of weaving an understanding of emotion into a framework that avoided a descent into idealist philosophy. Hume's solution to this problem – which was to have immeasurable and enduring significance for disciplines concerned with the study of business, economics, and management – was obtained through his identification of "self-interest" as humanity's preeminent emotion and concern. As Hume (1738b/1896: 266) expressed it, "Men being naturally selfish, or endow'd with a confin'd generosity, they are not easily induc'd to perform any action for the interest of strangers, except with a view to some reciprocal advantage." It was, Hume (1738b/1896: 267) further reflected, only as a result of "this self-interested" reasoning that "commerce. . .begins to take place, and to predominate in society." In other words, Hume identified in commonalities in human behavior caused by "self-interest", an explanation that incorporated passion and emotion into the compass of rational empirical inquiry. As we will discuss in the ensuing chapter, Hume's emphasis on self-interest and its role in stimulating commerce was subsequently taken up by Hume's close friend and fellow Scotsman, Adam Smith. Indeed, it was in "self-interest" that Smith (1776/1999: Book IV, Chap. 2, para. 9) identified in his *The Wealth of Nations* an "invisible hand" that guided economic exchanges and business organization rather than the "invisible hand of the market": a term which, contrary to popular opinion, he never actually used. In highlighting the role of "self-love" as the central factor in determining economic behaviour, Smith (1776/1999: Book I, Chap. 2, para. 2) concluded that "Nobody but a beggar chooses to depend chief upon the benevolence of his fellow-citizens. . .It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

In 1757 Hume's discussions of self-interest were taken up by Edmund Burke, arguably the greatest and most influential empiricist scholar, in an oft-overlooked study into the nature of both knowledge and social organization: *A Philosophical Inquiry into the Origin of our Ideas of the Sublime and the Beautiful*. Like Hume, Burke (1757/1823: 44) identified "self-preservation" as "the most powerful of all passions." However, like Hobbes and Locke – and unlike Hume and Smith – Burke saw the passions associated with self-preservation (fear, anger, retribution, envy) as essentially destructive. Fortunately, Burke (1757/1823: 46) argued, the negative effects of such passions were offset by another equally powerful human instinct: a primeval drive to intermingle and collaborate with other individuals as part of a wider "society." As he (Burke 1757/1823: 53) observed: "Good company, lively conversation, and the endearments of friendship, fill the mind with great pleasure." It was only through the effects of these social interactions, Burke (1757/1823: 46) concluded, that civilized existence differed from the life of "brutes." Caught between the destructive emotions associated with self-interest and the positive effects of social engagement, every human society's survival depended on its capacity to restrain negative behaviors while preserving the stabilizing effects of social institutions. This required, in Burke's considered opinion, a cautious, conservative intellectual approach that avoided overambitious theorizing and societal reforms. In seeking to understand the world around us, Burke (1757/1823: xi) observed, "The characteristics of nature are legible. . .but they are not plain enough to enable those who run, to read them. We must make use of a cautious...timorous method of proceeding." Accordingly, grand theorizing should be avoided and research conclusions limited to what could be verified by evidence. As Burke (1757/1823: xiii) expressed it, "A theory founded on experiment and not assumed, is always [only] good for as much as it explains. Our inability to push it indefinitely is no argument at all against it."

Burke's theses as to the nature of knowledge and societal organization found their fullest expression in his noted *Reflections on the Revolution in France*. First published in 1790 when the French Revolution was still in its infancy, Burke's pamphlet still stands as arguably the best-reasoned defense of constitutional government based on piecemeal reforms that allow for new economic and political interests while defending private property and social order. In Burke's (1790/2017: 34) opinion, politics and the organization of government were best regarded as an "empirical science" like any other, built upon careful and cautious adaptation and adjustment. Whenever societies abandoned this approach and relied instead on political abstractions (liberty, freedom, equality, etc.) as their guide – as the French had with the revolution of 1789 – then disaster, oppression, and tyranny must inevitably ensue (Burke 1790/2017: 3). In taking this stance, Burke was, it should be emphasized, *not* arguing for the perpetual entrenchment of the status quo. For, Burke argued, reaction and blind conservatism imperiled social stability as much as irrational revolutionary fervor. This was due to the fact, Burke (1790/2017: 11) concluded, that "A state with no means to make changes has no means to preserve itself. Without such means a state might even risk the loss of the part of its constitution that it most fervently wished to preserve." Outlining principles that subsequently came to be regarded as the intellectual cornerstones of modern systems of constitutional government, Burke (1790/2017: 11) argued that effective and enduring systems of government required the constant balancing of two competing imperatives: "conservation and correction." Without "conservation," a society risked anarchy and chaos. Without "correction," it risked stagnation and, eventually, revolution and upheaval.

In the era of the European Enlightenment, the intellectual and political caution embodied in the British empiricist tradition – to which Burke arguably provided its most fully developed expression – found a notable opponent in the French political philosopher, Jean-Jacques Rousseau. In the realm of political philosophy, Rousseau's critiques were unusual in that they shared with the empiricist thinkers such as Hobbes, Hume, and Burke a close interest in economic and social experience while eschewing the inherent conservatism of the empiricist tradition in favor of the abstract conclusions which Burke found so dangerous. On the one hand, therefore, Rousseau's work showed a detailed understanding of the lived experience of society's ordinary citizens to which British empiricist thinkers showed scant interest. Thus we are informed in Rousseau (1762b/1979: 47) *Emile* that the typical experience of common humanity was "sickness and danger" with half of all children perishing "before the first year." Like Hobbes, the founding father of British empiricism, Rousseau (1762b/1979: 239) also regarded Thucydides' work to be the embodiment of good scholarship, observing, "Thucydides is to my taste the true model. . .He reports the facts without judging them." Like Burke, Rousseau (1762b/1979: 460) also believed that it was only through agreed social convention and rules that stable societies could exist, noting that, "Each of us puts his goods, his life, and all his power in common under the supreme direction of the general will, and we as a body accept each member as a part indivisible from the whole." Alongside this hard-headed appreciation of human existence and social organization, however, Rousseau also gave vent to a dissident opinion as to the benefits of industrialization and Western economic progress. "By dint of gathering machines around us," Rousseau (1762b/1979: 176) suggested, humanity was losing its capacity for independent action and thought, an outcome that made the human products of modern society inherently inferior individuals when compared to the noble "Canadian savage." For, by contrast to their urbanized counterparts, those living closer to nature benefited from experiences that created not only stronger bodies but also greater "subtlety of mind" (Rousseau 1762b/1979: 176, 118). Rousseau's emphasis on the benefits of a "natural" existence also caused him to denounce the "reasoning of materialists" (i.e., empiricists such as Burke and Voltaire) as akin to that of the "deaf" in that they failed to give due attention to consciousness and "will" (Rousseau 1762b/1979: 176, 280).

Among Enlightenment thinkers, it was this romanticized view of human existence and human nature – which stood in stark contrast to the fundamentally pessimistic view of human nature that characterized British empiricism – that caused Rousseau to become the foremost advocate of social reorganization based on abstract understandings of freedom and liberty, Rousseau (1762a/1950: 1) famously beginning his best known work, *The Social Contract*, with the declaration that "Man is born free, and he is everywhere in chains." Although Rousseau's maxim inspired both the American Declaration of Independence and the French Declaration of the Rights of Man and the Citizen, it was his emphasis on freedom as an abstraction – rather than being the product of historical and constitutional circumstance as Burke suggested – that led Rousseau's thinking in the direction of dangerous generalizations and universal principles. Basing his thinking on the optimistic belief that "the people" as a whole "is never corrupted," Rousseau (1762a/1950: 18-19, 26) then deduced that the "general will," acting as "sovereign" through "the free vote of the people, 'is always right.'" From this point, Rousseau's radically democratic ideas led toward distinctly totalitarian conclusions. Not only did Rousseau (1762a/1950: 33) argue that the "sovereign," being "always right," must always be the "sole judge of what is important," it was also the case that "every malefactor, by attacking social rights, becomes a rebel, a traitor to his country." The totalitarian consequences of this line of thinking quickly became evident during the French revolutionary terror of 1793–1794, when passionate followers of Rousseau – each believing themselves to be the chosen agent of the "general will" – were found in the front ranks of both revolutionary leaders (notably, Maximilien Robespierre and Louis Antoine de St Just) and counterrevolutionary assassins (notably, Charlotte Corday).

If the violence of the French Revolution appeared to confirm the benefits of the methodological and conceptual caution advocated by the British empiricist tradition, it was also the case that adherents to this tradition typically produced research that had more than a passing resemblance to Thucydides' *History of the Peloponnesian War*. War, politics, the role of political and organizational leaders, and the fortunes of political parties were its forte. The empirical tradition also proved well-suited to the task of recording shifting intellectual trends and their political and organizational impact. Those informed by the empiricist tradition have also seen short-term "events" – associated with particular individuals or circumstances – as the appropriate focus of their research endeavors (see, e.g., Elton 1967/1969: 22). By contrast, the empiricist tradition has shown less interest in the effects of long-term changes in economics, demography, and culture; domains that demand the aggregation of individual actions into statistical series that shift explanation from the individual or group to more impersonal factors. It is the inherent tendency of those within the empiricist or positivist tradition to focus on defined historical or organizational events that has caused its critics the greatest concern. In dismissing the study of "events" as reflective of interest in mere "surface disturbances, crests of foam that the tides of history carry on their strong backs," the French historian, Fernand Braudel (1946/1975: 21) went on to condemn those within the empiricist tradition for living among "jumbled facts" and for inhabiting a "delusive fantasy" in which their research saw them intellectually "consorting with princes" and other leaders (Braudel, 1950/1980: 11). The perpetual problem with such studies, which Braudel (1950/1980: 11) argued were myopic in their focus, was that they perpetually described a world "torn from its context."

In the history of post-Enlightenment scholarship, Karl Popper occupies a unique dual place at the apex of the empiricist tradition and as a perceptive critic of its shortcomings. Like Burke, whose thinking was shaped in large part by his observations of the violence that ensued from the pursuit of abstract ideals in the French Revolution, Popper's viewpoints were molded by his abhorrence of Nazi Germany and Stalinist Russia during the 1930s and 1940s – nations where the pursuit of ideological objectives also caused social catastrophe. Like earlier empiricists, Popper (1944a: 120) also advocated "piecemeal tinkering" with societal institutions rather than revolutionary transformation. Similarly, Popper sat clearly within the intellectual legacy of Hobbes, Locke, and Burke in believing that knowledge and social action had to be built upon a careful scrutiny of empirical evidence. As Popper (1944b: 100) explained it, the "indispensable" basis for action required the prior detection and analysis of "all those facts" relevant to the problem. Like Hume, Popper (1944a, b) declared fierce opposition to those who claimed a capacity to detect historical laws that predict future outcomes, famously condemning such thinking as "historicism." Despite such areas of agreement, there were, nevertheless, two areas were Popper broke from earlier empiricist or (what he preferred to call) positivist thought. First and most significantly, Popper (1935/2002: 12; 1959, xxii) rejected the empiricist opposition to abstract "metaphysics" and theory as well as the traditional empiricist reliance on "common sense" as the ultimate judge in all things. Instead, he argued "that the most important and most problems of epistemology must remain completely invisible to those who confine themselves to analyzing ordinary or commonsense knowledge." Instead, Popper emphasized the importance of theory formation and testing. It was only on this basis that Popper correctly observed that new conceptual understandings could occur. As Popper (1935/2002: 280) observed in *The Logic of Scientific Discovery*, "We do not stumble upon our experiences, nor do we let them flow over us like a stream. Rather, we have to 'make' our experiences...every step is guided by theory." Popper's second key departure from traditional empiricist thinking is found in his rejection of inductive logic (i.e., the drawing of theses or generalizable laws from observation and evidence). In Popper's (1935/2002: 6, 25) view, the problems of "inductive logic" were "insurmountable" due to the fact that the conclusions drawn solely from this method of reasoning could never be definitively verified or disproved. The rationale behind Popper's reasoning can be discerned if, for example, we consider the statement that "Charismatic leaders have the capacity to inspire followers to take action without thought for material reward." The problem with such statements is that the relationship between evidence and thesis tends to be circular. In other words, we only look to studies of "charismatic" leaders for proof of the statements, which will of course confirm the statement. Conversely, if the evidence suggests that the leader cannot inspire without recourse to material rewards we do not reject the statement but instead conclude that the leader is "transactional" rather than "charismatic."

In rejecting "the method of induction," Popper (1935/2002: 11) conceded in his *The Logic of Scientific Discovery* that "it may be said, I deprive empirical science of what appears to be its most important characteristic." While Popper's conclusions have obtained something approaching semidivine status in academia that leads to uncritical acceptance of his maxims, there is nevertheless much truth in Popper's concession – a concession that points to a failing in not only his work but the empiricist tradition more widely. For the problem with relying solely on deductive logic and testing is that it is better suited to small matters (i.e., are consumers likely to spend more at Christmas time than at other times of the year) than bigger and more complex problems, a point which – as we noted in the introduction to this chapter – was well made by Max Weber in 1904. As anyone with a passing knowledge of Weber's work would be aware, Weber's solution to the methodological problem of applying inductive rather than deductive logic to research problems was to develop "ideal" types – typologies that captured none of the unique qualities of the particular individual or institution but which nevertheless revealed commonalities in how they related to the wider society. In dealing with the historical uniqueness of "charismatic" individuals, for example, Weber (1922/1978: 1113) found social meaning for this phenomenon in the fact that charismatic leadership is "the opposite, of bureaucracy...charisma is by nature not a continuous institution, but in its pure type the very opposite...In its pure form charisma is never a source of private income; it is neither utilized for the exchange of services nor is it exercised for pay." Such methodological solutions highlight the fact that research is not, as the empiricist tradition would like to believe, always amenable to definitive conclusions based on verifiable or refutable facts. More often than not the best we can hope to obtain in way of conclusions are mere probabilities or possibilities.

The Idealist Tradition

If the empiricist tradition has always made understanding of the objective world (i.e., the objects and beings that impact directly on our senses) its central focus, the idealist tradition has made the subjective world of consciousness, emotion, and individual being its primary concern – an emphasis which in the contemporary world has informed the burgeoning bodies of postmodernist thought.

As with the empiricist tradition, idealist philosophy and epistemology owe their foundational understandings to the ancient Greeks, among whom Plato's *The Republic* (c. 380 BC/2003) has proved particularly influential. Rather than understanding the world directly through our senses, Plato believed that we comprehend objective reality through the creation of abstract mental images in our imagination, and it is upon these images that we act. In drawing and then measuring the dimensions of a "circular" field, for example, we are dealing solely with abstractions – what Plato (c. 380 BC/2003: 232) called mental "forms" – that are an idealized substitution (or representation) for objective reality, it being the case that there are probably no "pure" circular shapes in nature. In other words, the concept of a "circle" does not exist naturally. It is a creation of our reason. Similarly, when a person walks into a room and sees a "bed" for example they do not create a separate mental category for that object. Rather it is perceived in its generalized "form," as simply another "bed." Only if there is a particular need (i.e., the person was intending to sleep in the bed), would the mind substitute more specific "forms" (i.e., "hard" bed, "soft" bed).

The key problem that Plato – and all subsequent idealist thinkers – faced was in ascertaining principles that enabled one to distinguish between mental "forms" that correspond to objective reality from those associated with mere illusions or fantasies. A key step in the process to true knowledge for Plato was therefore the discernment of the pathways through which one differentiated "truth" from what the Greeks called *eikasia* (illusion). In Plato's opinion, this could only be achieved by careful training, a process in which an educated elite obtained understandings that are beyond the capacity of ordinary folk. In *The Republic* (c. 380 BC/2003: 240–244), Plato explained the process of intellectual enlightenment through his famous "Simile of the Cave," which describes how prisoners chained underground come to mistake the shadows reflected on walls for reality. When one is freed and taken outside the cave, the escapee finds themselves "dazzled by the glare." Only through a painful period of adjustment does the escaped prisoner finally "grow accustomed to the light." Plato (c. 380 BC/2003: 234–238) also saw knowledge as involving a series of steps toward full enlightenment as minds were trained to distinguish not only reality from illusion but also proper knowledge from mere opinion or belief. The problem with this solution for distinguishing reality from illusion was twofold. First, although Plato held that training and education enabled an eventual discernment of "knowledge," he never outlined clear principles by which reality and illusion could be distinguished. On the contrary, Plato (c. 380 BC/2003: 239) held that "the real objects" of any "investigation" must always remain "invisible except to the eye of reason." Thus in trying to distinguish reality from illusion, we can *never* refer back to reality itself but only to mental abstract "forms" and "representations." As Plato

(c. 380 BC/2003: 239) explained it, "The whole procedure involves nothing in the visible world, but moves solely from form to form, and finishes with forms." The second problem with Plato's thinking is that it led toward not only intellectual elitism but also totalitarianism. Believing that only an elite could grasp "true reality" and thereby create a "just" world, Plato (c. 380 BC/2003: 236, 36, 248) also concluded that only this elite was fit to fill the role of "guardians of our state" for they alone were capable of understanding "the principles of good government."

In the medieval and early modern eras, with their emphasis on human spirit and individual being, idealist philosophy tended to be subsumed within the canons of religious thought. Even with the revival of secular strands of idealist philosophy, it remained the case that many of its proponents – most notably George Berkeley, Gottfried Leibniz, and Georg Hegel – sought to incorporate understandings of the divine into their thinking. However, where such thinkers differed from earlier scholastic traditions is that they relied solely on reason – rather than religious texts or authority – for their conclusions. Hegel (1837/1956: 30, 9), for example, while believing that God's hands shaped the course of history, also believed that "Reason is the Sovereign of the World," a fact that made human consciousness, spirit, and experience all subject to reasoned inquiry.

What unites all the strands of idealist philosophy is the belief that the interior world of consciousness and thought is far more important than the exterior world. This emphasis is found even in the work of Georg Hegel (1837/1956) who argued that freedom of spirit and consciousness could only be achieved through organized societies and states. In expressing the central idealist understanding, the French philosopher and mathematician, Rene Descartes (1641/1991: 1–31), concluded in his *Mediations on First Philosophy* that each human individual existed as "only a thinking thing." Not only was the human mind and thought different from the objective world in being "entirely indivisible," it was also the case that thought and emotion typically produced sharper images in the mind than direct sensory perceptions – an outcome that caused Descartes (1641/1991: 1–31; 1–19) to also consider the possibility that "all things" that relate to the external world "are nothing but dreams and chimeras." Consequently, it was therefore possible to either "persuade myself" that "nothing has ever existed" or a contrary position, i.e., the material world has and does exist (Descartes 1641/1991: 1–8).

In his *Critique of Pure Reason*, Immanuel Kant (1787/2007: 238–239) described Descartes' analysis as "problematic idealism" in that it subjected all evidence and all the sensations generated by our senses to the utmost skepticism – an approach Kant accepted as "a sound philosophic mode of thought" in that it questioned rather than categorically denied the nature of material existence. Subsequent to Descartes' conclusions, however, there emerged a far more radical and far-reaching form of idealist thought in the work of the English cleric, George Berkeley. Pushing idealist skepticism to its ultimate limits, Berkeley (1710/1996: 24), in his *Principles of Human Knowledge*, declared that the only thing we could be certain of was our own "ideas," ideas created by that "perceiving, active being" that "I call mind, spirit, soul, or myself." In consequence, "All things that exist, exist only in the mind, that is, they are purely nominal" (Berkeley 1710/1996: 38).

In the era of the European Enlightenment, other idealist philosophers came to conclusions which, although different from those of Berkeley, were also far removed from the principles that informed British empiricism and scientific inquiry more generally. In Germany, Gottfried Leibniz (1714/2017: 1–2, 7), for example, argued that all forms of existence are comprised of "monads," each sharing various levels of being and perception and each acting on other monads (forms of existence). As Leibniz (1714/2017: 11) explained, "basically there is the same thing in *all* living things and animals." Only in the human mind, however, did Leibniz believe that there existed an essence capable of both spiritual communication and abstract reasoning.

Where Berkeley and Leibniz advocated a form of idealism that was highly abstract and which held out little prospect that the human condition was amenable to understanding through generalizable laws, the nineteenth century German philosopher, Georg Hegel, held a contrary view. In Hegel's (1837/1956: 1, 5, 38) view, human history should be understood as "universal history" that sees humanity gradually advance from a primitive state toward increasing levels of intellectual and political "freedom." In Hegel's (1837/1956: 40–41) opinion, "freedom" does not exist in "nature" (i.e., in undeveloped economies and societies) but must instead be "sought out and won." In other words, the advance toward "freedom" is not something that individuals can achieve alone. Instead, it must be created through complex social organizations that provide systems of "constitutional" rights. As Hegel (1837/1956: 41) expressed it, "Society and the State are the very conditions in which Freedom is realized." In pursuing this search for "freedom," Hegel (1837/1956: 36) argued – in an understanding that distinguished his thinking from "materialist" thinkers such as Karl Marx – that human endeavors were unconsciously "carrying out" God's "plan." In other words, it was God's divine plan that was the glue that held human endeavors together, steering humanity toward ever more sophisticated forms of social organization and understandings. Accordingly, both individuals and societies were ultimately successful only to the extent that they fulfilled God's intention. Even history's "great" men – Alexander the Great, Luther, and Napoleon – were only successful to the extent that their actions corresponded, without their conscious knowledge – to "a concealed fount" that reflected the "universal" plan that God had decided upon before the beginning of time (Hegel 1837/1956: 30).

Hegel differed from other idealist thinkers not only in his belief that history was governed by "universal" principles but also in his approach to knowledge. Where other idealists were diametrically opposed to empiricist methodologies, questioning whether the material world was in fact real at all, Hegel embraced rational, empirical inquiry. Accordingly, Hegel (1837/1956: 2) argued that "legends," "ballads," and other forms of invented narrative needed to be put aside. Condemning those who put "subjective fantasies in the place of historical data," Hegel (1837/1956: 7, 10) went on to argue that researchers must always "proceed historically – empirically." Only through such rational inquiries was it possible to understand not only the process of history but also, ultimately, God's will. For, Hegel (1837/1956: 11) concluded, "To him who looks upon the world rationally, the world in its turn presents a rational aspect."

Paradoxically, the significance of Hegel's brand of idealist thinking is found not in its contribution to idealist philosophy but also in the conceptual framework that it provided to the most materialist of all epistemologies: Marxism. For if one abandons the religious element that was at the core of Hegel's thinking, then the rest of it – the belief that history is a rational process, that it operates according to universal laws that can be ascertained through rational inquiry, and that research should proceed empirically through a careful scrutiny of evidence – can easily be transferred to a non-idealist framework. This is what Marx did, famously describing his work as "dialectical materialism," a step through which Marx (1873/1954: 19–20) "openly avowed" himself "the pupil of that mighty thinker" (i.e., Hegel). Praising Hegel for "being the first to present its [i.e., history's] general form of working in a comprehensive and conscious manner," Marx (1873/1954: 20) ruthlessly ransacked Hegel's postulations to suit his own revolutionary needs. Like Hegel, Marx (1873/1954: 20) saw humanity history advancing through a series of stages toward a "crowning point." Like Hegel, Marx (1873/1954: 20) believed this process was guided by a set of "universal" historical laws, Marx merely substituting economic forces for God's will. As with Hegel, Marx (1873/1954: 19) believed that careful rational inquiry enabled one to "trace out" the "inner connection" that guided humanity's economic and social development.

If Hegel's idealist thinking provided direct inspiration for Marxism, other forms of idealist philosophy provided conceptual frameworks which – in the course of the twentieth century – became part of the intellectual bedrock of postmodernism. Among these intellectual progenitors of postmodernism, there are two idealist philosophers who deserve special mention. The first of these is the Italian philosopher, Giambattista Vico, whose study, *The New Science*, provided inspiration for both Michel Foucault and – to an even greater degree – the American postmodernist, Hayden White. Completed in 1744, Vico's study paralleled Rousseau in arguing that the advance of civilization came at excessive cost to the human spirit. Prior to the numbing effects of civilisation, Vico (1744/1968: 118) ascertained that people possessed "vast imagination," an imagination that was "entirely immersed in the senses, buffeted by the passions." In this primeval state, humanity produced "sublime" poetic fables, of which Homer's the *Iliad* was "first in the order of merit" (Vico 1744/1968: 120). As civilization advanced, Vico (1744/1968: 128) argued, so "these vast imaginations shrank." All that was left were literary "tropes" and "metaphors" that provided a remnant existence of an older, more spiritual way of perceiving the world. Such "tropes" and "metaphors" were, therefore, not "ingenious inventions" of writers but were instead an inherited link to "the first poetic nations" (Vico 1744/1968: 131). By strengthening the role of "metaphor" in language we could, so Vico (1744/1968: 131) believed, recapture something of the "vast imagination" that civilization had stripped from us. In other words, what is important in research and writing is not things such as evidence, facts, and truth. Instead, what counts is the capacity of a given literature to inspire the spirit.

While Foucault (1969/1972: 158, 180) freely acknowledged the impact of Vico on his conceptualizations, it is through the work of Hayden White that Vico's thinking has had its most significant impact. All of Vico's key formulations were embraced by Hayden White, subsequently becoming a core component of the dominant strands of postmodernism in the Anglosphere (see, e.g., Durepos and Mills 2012). According to White (1973: x) and his intellectual heirs, the researcher who constructs a narrative should perceive their study not as a work of science but rather as "an essentially *poetic* act" [emphasis in original]. Moreover, as the purpose of such research is *primarily* inspirational, it must have as its main focus "felt needs and aspirations that are ultimately personal" (White 1973: 283), a suggestion that leads toward narratives built around personal experiences premised on racial, religious, sexual, and social identity. As, according to White (1998), fable and myth are the highest forms of representation, this not only justifies but necessitates academic "reconstructions" of a "fictive character." The benefit of this, White (1973: 371) concluded, is that it allows for the "erection" of an "illusionary world, outside the original world of pure power relationships," a world in which authors can initiate "a process in which the weak vies with the strong for the authority to determine how this second world will be characterized."

Vico's (and White's) emphasis on the capacity of a given literature to inspire – rather than its correspondence to what is factually real – found in the fullest expression in another idealist philosopher whose influence on postmodernism was to prove even more profound: Friedrich Nietzsche. Although we will return to a full discussion of Nietzsche later in this volume, it is nevertheless useful at this point to highlight both his main arguments and the ways in which they directly impinged on postmodernist canons. For what makes Nietzsche's thinking so significant – in addition to its influence on postmodernism – is its total and complete emphasis on individual will and consciousness to the exclusion of all else. Whereas previous idealist philosophers (Berkeley, Leibniz, Hegel) were influenced by religious belief, identifying human spirit with divine spirit, Nietzsche severed this nexus. As Nietzsche (1895/1990: 174–175) declared in *The Anti-Christ*, not only did his work recognize "no God," any religious reverence is condemned as "a crime against life." What counted instead was solely the capacity of ideas to inspire human will toward feats of purposeful endeavor through which they enforced their will over others. "Ultimately the point" of any writing was not whether it was based on falsehood and lies but rather "to what end a lie is told" (Nietzsche 1895/1990: 187). The idea that there are any economic or social laws, discernible to inquiry, was summarily dismissed by Nietzsche. To the extent that any "laws in history" were observable, these were declared to be "worth nothing" (Nietzsche 1874: 39). The "scientific person," who guided their research and actions on the basis of rational inquiry, was also discounted as a "chatterer," an "educated Philistine" (Nietzsche 1874: 42). Morality was also declared to be worthless, Nietzsche (1883/1970: 299) observing in *Thus Spoke Zarathustra* that "evil is man's best strength. Man must grow better and more evil." Having dismissed every concept and precept that prior philosophers had regarded as important – rationality, religion, historical purpose, discernible laws, evidence, and truth – Nietzsche left his readers with only one resource: their own consciousness and will. It was through this alone, Nietzsche argued, that human behavior and history were shaped.

Logic

When Copernicus published his *De Revolutionibus* in 1541, a publication that effectively launched the "scientific revolution," he was expressing insights gained from inductive logic. On the basis of observation of the inner planets and the stars, conducted without mechanical aids such as telescopes, Copernicus (1541/2008) concluded that existing explanations, which posited the earth at the center of the universe, were deficit and that observed behavior was better explained through a thesis that placed the sun at the center. In this Copernicus was only partially correct. For while he correctly believed that the planets orbited the sun, Copernicus (1541/2008: 24) also believed that beyond planets there existed a zone of "immovable stars." Not until the publication in 1610 of Galileo's *Sidereus Nuncius* (*The Starry Messenger*), based on physical observations conducted through a telescope, was the fallacy of Copernicus thesis regarding the behavior of stars revealed. In coming to his conclusions, however, based on the use of telescopes and deductive logic (i.e., the testing of a theory against evidence), Galileo benefited from having Copernicus's thesis as his point of departure – a thesis that was itself devised from empirical observation (i.e., inductive logic). Such outcomes suggest that inductive and deductive logic fulfill essentially complementary roles. But such outcomes also highlight the fundamentally different roles that inductive and deductive logic play in research. In essence, inductive logic leads toward the construction of theories based on generalizations from typically incomplete evidence – conclusions that are frequently found to be fully or partially fallacious by a wider examination of evidence. By contrast, deductive logic, by subjecting theses to empirical testing, plays an essentially constraining or limiting role, constantly revealing the limits of generalizable theories by emphasizing all of the contingent factors that are invariably associated with any set of causal relationships. It is this more cautious approach, better suited to "piecemeal tinkering," that caused Karl Popper to embrace deductive logic but abjure inductive logic, declaring that:

> . . .the study of society is fundamentally different from the study of nature. . .I do not believe in the 'method of generalisation', that is to say, that is to say, in the view that science begins with observations from which it derives its theories by some process of generalisation or induction. (Popper 1944a: 134–135)

The disputes over how we apply logic to the research problems before us are not unrelated to the other problem that we have highlighted in this chapter: How do we understand the world? In responding to this second question, it is easy to embrace a pure empiricist approach, accepting the view that we understand the world through a combination of sensory perception and the facility of "common sense." There is, however, also much merit in the idealist approach with its emphasis on consciousness and abstraction. As Plato (c. 380 BC/2003: 336–339) correctly pointed out almost two and a half thousand years ago, abstractions – or what he called "forms" or "representations" – are essential to our understandings. It is in the nature of the human condition that we constantly move from experience to generalization and theory, using concepts that have meaning for us but which do not exist in the world of direct sensory perception – concepts such as markets, supply, demand, freedom, efficiency, etc.

The basis of human knowledge, in business and management as in any other field, is thus dependent in the first instance on how we balance the conflicting merits of empiricist and idealist thought and of inductive and deductive logic. That this debate has been going on not only for centuries but for millennia indicates that there is no definitive answer to this problem. Each of us must find our own solution to this quandary. It is the author's opinion, however, that the best synthesization is found in the work of the German philosopher from the Age of Enlightenment, Immanuel Kant. Admittedly, despite Kant's preeminent place among the pantheon of philosophic thinkers, the utility of his work has been curtained by his complex and opaque writing style, Kant (1787/2007: xviii) accurately observing in relation to his most important work, his *Critique of Pure Reason*, that "This work can never be made suitable for popular use."

Despite their complexity, Kant's theorems can arguably be reduced to a small number of propositions. A number of these – including the belief that we experience reality not as corporeal entities, as "things in themselves," but rather as "the mere play of representations" (Kant 1787/2007: 130–131); that understanding of the material world is generated through the effect of "sensible intuition" on the mind (Kant 1787/2007: 142–143); and that our "imagination" has the capacity to generate "representations" that do not exist in the real world, i.e., a perfect circle (Kant 1787/2007: 149) – differ little from theorems found in Plato's *The Republic*. With his other key understandings, however, Kant decisively broke with idealist canon, holding that reality "is something" and that, even if perceptions of it come to us as "only outer appearances," objective reality nevertheless exists "actually in time and space" (Kant 1787/2007: 283, 332, 348). In other words, the fact that I experience reality through images created in my imagination – images that may vary according to whether it is light or dark – does not mean it is any less real. Accordingly, Kant (1787/2007: 291) placed in the hands of human reason a capacity to judge the validity of the "concepts" generated by our senses and imagination. Thus, for example, if my senses – as an Australian living in the Southern Hemisphere – generate the concept in my understanding that the sun must always appear in the sky's northern quadrant, my reason can dismiss this concept on the basis of not only my travels to the Northern Hemisphere but also on the basis of what I have read about astronomy. In emphasizing the power of reason to distinguish between reality and "fancy," Kant (1787/2007: 212) also put forward his "law of causality," a law which was based on what he referred to as the "principle of succession in time." This held – in contradiction to Hobbes' law that the "knowledge of consequences" is based on understanding the "dependence of one *fact* upon another" (Hobbes 1651/2002: 38) – that laws explaining both the natural and social worlds can be ascertained by tracing the *sequence* of events. In other words, B can only explain the occurrence of A if it came before it. Collectively, Kant (1787/2007: xiv) argued, his formulations would allow humans a capacity to explain outcomes through the formulation of the various laws "which reason...seeks and requires." In other words, it is our reason that allows us to draw generalizations from experience, generalizations that become the basis for testable theories (Kant 1788/2002: 29).

In his *Logic of Discovery*, Popper (1935/2002: 38) also linked knowledge with theory rather than simply observed experience, accurately observing that "The empirical sciences are systems of theories," not mere collections of facts. Significantly, Popper (1935/2002: 29–31), in taking this stance, like Kant before him, decisively rejected a pure empiricist or positivist approach, noting that "facts" only obtain their meaning from the intellectual and social context within which they are placed. However, in attempting to strike a balance between the claims of empiricist epistemologies (with their emphasis on experience) and idealist philosophies (with their emphasis on human consciousness and will), Popper also – as we have noted on numerous occasions throughout this chapter – rejected the use of inductive logic. In taking this stance, it is evident that Popper was fearful that the continued embrace of inductive logic would lead people – as it had with Marxists – to sweeping generalizations and what he referred to as "historicism," i.e., the belief that societal outcomes are determined by historical factors that are beyond the scope of human choice. While Popper's reasoning is – given the time and place in which it occurred – understandable, it is also nevertheless unduly constraining on two counts. First, as noted previously, it restricts our capacity to come to generalizable conclusions (i.e., theories) on the basis of observed evidence. Second, it restricts the field of our inquiries.

Among those who have considered the epistemological foundations of our understandings, it is arguably Max Weber who most succinctly makes the case for a continued embrace of inductive logic alongside deductive logic. In countering the proposal that "the attempt to formulate laws" has "no scientific justification in the cultural sciences," Weber (1922/1978: 79, 87) declared that "the construction of a system of abstract and therefore purely formal propositions analogous to those of the exact natural sciences, is the only means of analysing and intellectually mastering the complexity of social life." Significantly, Weber did *not* believe that theoretical generalization allowed for universal laws that were applicable to all circumstances in time and place. Indeed, virtually all of Popper's subsequent objections to "historicisms" are evident in Weber's (1904/1949: 86) dismissal of what he referred to as "naturalistic dogma" (which he primarily associated with Marxism) – a term which Popper subsequently also used interchangeably with "historicism." However, unlike Popper, Weber concluded – accurately in this author's opinion – that we can only *begin* to make sense of the world through inductive logic, through generalizations based upon observations. The fact that we develop "ideal types" on the basis of such generalizations – i.e., a market economy, a liberal democracy, a charismatic leader, an efficient producer, etc. – does not necessarily entail a denial of individuality or of contingent circumstances. For, as Weber (1904/1949: 86) correctly concluded, "the unique individual character" of any phenomenon – be it human or organizational – is found in the degree to which it diverges from the average or the typical. We can, in short, only understand the particular in relation to the general.

Conclusion

In his *Critique Practical Reason,* Kant (1788/2002: 29, 43) noted that the key task of epistemology (i.e., the theory of knowledge) is to ascertain generalizable principles or "laws" that help us explain the human condition while at the same time allowing scope for the "autonomy of the will" (i.e., the capacity of individual or group action to reshape their environment). A seemingly easy task, the solution to his balancing act remains elusive. Broadly, opinion has divided along two lines. One fissure has seen empiricist or positivist thinkers, who emphasize the value of sensory perception and experience, aligned against idealist modes of thought which highlight the value of consciousness, individual will, and abstraction. Another divide sees proponents of inductive logic (Kant, Weber, etc.) argue along different lines to those who emphasize reliance on deductive logic (most notably, Karl Popper). For whose occupying one or other of the polar extremes in these epistemological debates, the issues at stake are typically portrayed in deceptively simple terms. In the opinion of Hobbes (1651/2002: 38), who effectively founded the modern empiricist tradition, "knowledge of fact" comes from "sense and memory," whereas "science" is based upon the "knowledge of consequences." To get from the former to the latter requires no more than an understanding of "the dependence of one fact upon another." Conversely, at the idealist pole, an extreme skepticism suggests that there is no objective reality at all and that all we can instead by sure of is – as Berkeley (1710/1996) argued – our own consciousness. In the contemporary world, this extreme idealist skepticism finds expression in the various strands of postmodernism. According to the prominent US postmodernist, Hayden White (1980: 10), for example, "the very distinction between real and imaginary events" is one that needs to be dismissed. Far from being something that reflects objectively real experiences, "history," according to White (2005: 333), "is a place of fantasy." Nor can we discern causal relationships. As Keith Jenkins (1997: 10) advised in a much cited study, "in postmodern terms, nothing connects."

As with many things, this chapter argues that the best solution when confronted with the epistemological divisions that characterize research endeavors is to follow a middle path. To restrict ourselves, as the unadulterated empiricist or positivist tradition would have us do, to the world of experience and sensory perception is to deny ourselves the full use of our imagination, of abstraction, and of theoretical exploration. As Popper (1959: xxii) indicated, the point of research is not simply to add fact upon fact but rather "to contribute to the advance of knowledge – scientific knowledge, that is." Such an objective can only be achieved if we embrace theory, which in turn means an embrace of abstract concepts and understandings. In embracing abstraction, however, there is no need to abandon the belief that abstraction and theory should be based or drawn from empirical evidence. Nor, in accepting the view that we perceive the world through "forms" or "representations" – caused by the play of sensory perceptions on our imagination – do we need to abandon belief in the existence of objectively real conditions and experiences, as idealist and postmodernist philosophy would have us do. For, as Kant (1787/2007: 283, 348) indicated, "Reality is something." Nor should we abandon, as Popper would have us do, the use of inductive logic for fear that it will lead into destructive and grandiose conclusions. For in exploring the human condition, we need all the tools that we can muster. As Poincare (1902/1905: 167) correctly noted, "Every generalisation is a hypothesis." If, as occurred with Copernicus theorems relating to the nature of the solar system, many of our hypotheses are proven by subsequent scrutiny and testing to be in error, then we should rejoice. For, as Poincare (1902/1905: 168) concluded, "If it is not verified, it is because there is something unexpected about it, because we are on the point of finding something unknown or new."

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Economic Foundations: Adam Smith and the Classical School of Economics

15

Bradley Bowden

Contents

Abstract

Although economic debates remain central to our world, they are wrapped in myth and misunderstanding. Many believe that Adam Smith provided the basis for classical economics through his exposition of the principle that outcomes are best decided through "the invisible hand of the market." In truth, Smith never used the term, instead associating the concept of an "invisible hand" with self-interest. Smith's ideas about self-interest were, moreover, derived from David Hume. Many of his ideas about value were obtained from the earlier work of Richard Cantillon. This chapter nevertheless argues that understanding of the foundational principles of classical economics – concepts associated with production as well as markets and exchange – remains central to our time. There is particular utility in understanding the nature of economic value and how it is created. For what is most revolutionary about the modern world is not its mechanisms for distribution and exchange but its systems of production; systems underpinned by the division of labor, the utilization of fixed capital, and the self-interested pursuit of occupational and firm advantage.

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Introduction

As a creature of both the Industrial Revolution and the European Enlightenment (1680–1789), the modern world has been characterized by the harnessing of rationality and science to the cause of material progress. In the realm of technology, steam power – which found its first usage in 1715 in the shape of huge, cumbersome machines designed to pump water from coal mines – was gradually adapted to a variety of more revolutionary uses: powered factory machinery, steam-powered railways and ships, heating, and power generation. In the wake of this initial technological breakthrough, others followed: telegraph, radio, electricity, computerization, etc. Managers, in harnessing the power of new technologies and more efficient forms of work organization, also sought accurate estimates for their costs at each stage of the production process. Yet, for all the obvious emphasis on science and rationality, many of the seminal intellectual influences in the Age of Enlightenment – Thomas Hobbes, John Locke, David Hume, the Baron de Montesquieu (Charles de Secondat), Francois-Marie Arouet (Voltaire), and Adam Smith – were as much concerned with human irrationality, violence, passion, and emotion as they were with rationality. In his *Leviathan*, a foundational text of the Enlightenment, Hobbes (1651/2002: 40) argued that it was only the enforced order of society that protected humanity from its own vices; whenever this enforced order was absent than humanity lived in a "brutish manner." In France, Montesquieu (1748/1989: 5), in his *The Spirit of the Laws*, similarly reflected that society was comprised of inherently flawed individuals, each "subject to ignorance and error . . . to a thousand passions."

In Scotland, Hume (1739/1896: 241) devoted the second volume of his *A Treatise on Human Nature* to "passions," observing that – unlike reason – "'tis evident our passions" are "not susceptible" to rational "agreement or disagreement." Where others, however, associated passions and emotion with human evils, Hume argued a contrary position. Identifying "self-interest" as humanity's preeminent emotion and concern, Hume (1739/1896: 266) concluded that, "Men being naturally selfish, or endow'd with a confin'd generosity, they are not easily induc'd to perform any action for the interest of strangers, except with a view to some reciprocal advantage." It was, Hume (1739/1896: 267) further reflected, only as a result of "this self-interested" reasoning that "commerce . . .begins to take place, and to predominate in society." It was, in other words, from what others recognized as a vice (self-interest) that needed to be restrained, that Hume identified a positive motive force for economic and business organization. Subsequently, and more famously, the idea of organizing business endeavor on the basis of self-interest rather than economic regulation was taken up by Hume's close friend, Adam Smith. Whereas Smith is best – and wrongly known – for his maxim about "the invisible hand of the market" (a term he never used), in fact Smith associated the concept of "an invisible hand" (not "the invisible hand") with self-interest, declaring in *The Wealth of Nations* (1776: Book IV, Chap. 2, para. 9) that, in directing "industry":

> *. . . in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.*

In emphasizing the importance of "self-love" in determining economic outcomes in the opening chapters of *The Wealth of Nations*, Smith (1776: Book I, Chap. 2, para. 2) concluded that, "Nobody but a beggar chooses to depend chief upon the benevolence of his fellow-citizens . . . It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

If an emphasis on self-interest led to a growing belief that economic outcomes were best decided by freely chosen market exchanges rather than government oversight, another eighteenth-century interest of political economy focused on what was to prove an increasingly divisive debate: the organization and management of production. At first blush, the question that drove this debate – "How is value created?" – appears innocuous. It was, nevertheless, a question that was to tear societies apart over the course of the nineteenth and twentieth centuries. Whereas some primarily attributed the creation of value to capital and management, others – who identified with Karl Marx's critiques of capital – believed these economic agents occupied as an essentially parasitic place in the production process, expropriating the hard-wrought economic value created by labor.

Although it was Adam Smith's views on value that were to prove most influential, in this – as with his formulations on self-interest – Smith built his insights on the work of others. In this domain it was to be the French *physiocrat*, Richard Cantillon, who provided the decisive impetus. Described (Rothbard 2006: 345) as the real "father of modern economics," Cantillon's (1755/2010) seminal work, *An Essay on Economic Theory*, was written in 1730 but – due to French censorship laws – not published until 1755, 11 years before Smith's *The Wealth of Nations* hit the printing presses. While it was obvious to Cantillon that the most dynamic part of the French economy was associated with commerce and industry, he nevertheless concluded (Cantillon 1755/2010: 22) that, "Land is the source or matter from which all wealth is drawn." In coming to this essentially feudal conclusion, Cantillon's thinking was guided by two accurate observations. First, Cantillon (1755/2010: 22) noted, human endeavor merely transforms into more useful objects the natural produce of the land, produce that takes the form of both a living bounty – "grass, roots, grain, flax, cotton" – and inanimate "minerals." Without this initial bounty, no wealth is possible. Second, he observed, the "labor" that transforms the land's abundance is itself dependent upon the land for its sustenance. This meant, in turn, that a nation's economic capacity was ultimately determined by its agricultural capacity, Cantillon (1755/2010: 62) calculating that the worth of a common object was equal to "double the product of the land used to maintain . . . the work of the cheapest peasant or laborer," i.e., if a worker made an object in 1 day than it would be worth the landed produce the person consumed over two. As a society's productive capacity was, Cantillon (1755/2010: 63) believed, constrained by labor availability, it logically followed that it was agricultural efficiency that was the key element in wealth and value creation. The more that could be produced from an acre of land, the greater the supply of labor available and – consequently – output, value, and wealth.

Despite his flawed conclusions, Cantillon laid the groundwork for all who followed in his wake by linking three key concepts: value, labor, and efficiency. Abandoning Cantillon's attempts to link these concepts with landed production, Smith (1776: Book I, Chap. VII, para. 4, 7) drew a distinction between what he called the "natural price," which was determined by actual costs of production, and "market" price, which could "either be above, or below, or exactly the same with its natural price." Emphasizing this same point, Alfred Marshall (1920: 291), in his *Principles of Economics*, declared that "the shorter the period we are considering," the greater is "the influence of demand on value; and the longer the period, the more important will be the influence of the cost of production on value." Believing (Smith 1776: Book I, Chap. V, para. 17) that labor – rather than the value of the land's output – was "the only universal, as well as only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times, and at all places" (i.e., the more labor expended in producing a good, the more expensive it is vis-à-vis other goods), Smith also accurately concluded that increased societal wealth must stem from a greater volume of outputs from each given unit of labor. It was on this point that Smith (1776: Book I, Chap. I, para. 1) famously began *The Wealth of Nations* by observing, "The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour." Although it has been argued (Magnusson 2009: 2–3) that Smith's ideas are of limited utility as they stemmed from a "proto-industrialized" society and line of thinking based on handicraft production rather than technological innovation, in truth Smith's logic was revolutionary precisely because he was the first to grasp the transformative effect of investment in machinery and other forms of fixed capital. Emphasizing this point, Smith (1776: Book I, Chap. I, para. 5) argued in *The Wealth of Nations* that the "division of labor" had become the principal driver of increased productivity and wealth precisely because of its association with "the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many."

Whereas Smith and his intellectual heirs (David Ricardo, John Stuart Mill, Alfred Marshall, Friedrich Hayek, Milton Friedman) identified societal advance with self-interest, market exchanges, and labor and firm specialization, Karl Marx and his intellectual and political heirs had very different understandings of the relationships between value, output, and labor. Whereas Smith (1776: Book 1, Chap. 5, para. 6–12) saw labor as the only universal *measure* of value, and but one component in the *creation* of value – alongside "rent," the worth of the "stock" or capital consumed in production, and the "profit" which represented the employer's "deduction" for venturing their time and capital – Marx (1867/1954) saw labor as the *only* source of value. Everything else – profit, the money saved from the production process that was reinvested in more fixed capital, a business's administrative costs – came from the extraction of an unremunerated surplus from labor, what Marx referred to as "surplus value." Under "the miserable character of this appropriation," Marx and his communist colleague, Frederick Engels (1848/1951: 45–46), proclaimed in *The Communist Manifesto*, "the labourer lives merely to increase capital, and is allowed to live only in so far as the interest of the ruling class requires it." Where Smith (1776: Book 1, Chap. 5, para. 8–9) saw an economy operating on the self-interested cooperation of capital and labor – the latter constantly needing an employer "to advance them the materials of their work, and their wages and maintenance till it can be completed" – Marx and Engels (1848/1951: 61) perceived nothing but "hostile antagonism" between the classes. Where Smith and his intellectual heirs saw a society based on market exchange, Marx and Engels (1848/1951: 50) argued that society was best served by the centralization of all "production in the hands of the state."

If over time the Marxist intellectual challenge to industrial capitalism and its associated systems of management has waned, many of the criticisms that Marxists once made have been taken up by postmodernists of various hues. With the "generalized computerization of society," the French postmodernist, Jean-Francois Lyotard (1979/1986: 47, 51) argued in his *The Postmodern Condition*, the capitalist focus on "development" has become an ever more "dehumanizing process". In his subsequent *The Inhuman*, where Lyotard (1988/1991: 67, 6) again suggested that humanity's "enjoyment" of the present was being constantly sacrificed in the name of "efficiency" and "development." Lyotard's postmodernist colleague, Michel Foucault (1976/1978: 140–141), painted an even bleaker picture of "the development of capitalism," suggesting its advance was associated with an unprecedented exploitation of "bio-power" – human sexuality and psychological identity – that involved "the controlled insertion of bodies into the machinery of production and the adjustment of the phenomenon of population to economic process." The result of this, Foucault (1976/1978: 145) continued, was new systems of "micro-power" engaged in "infinitesimal surveillances, permanent controls, extremely meticulous orderings of space, indeterminate medical or psychological examinations." Today, announced hostility to any analysis that emphasizes "markets" and "efficiency" is endemic among even business-school academics. In a highly influential article, Peter Clark and Mick Rowlinson (2004: 337), for example, suggest that analysis that highlights the benefits of "markets" and "efficiency" necessarily "mitigates against both historical and ethical considerations."

Almost 300 years after Cantillon first penned his *An Essay on Economic Theory*, it is evident that the debates about value, labor, and the efficient use of resources are arguably even more divisive now that they were at the dawn of the Industrial Revolution. Understanding and resolution of these debates are, moreover, not mere academic exercise. Over the last century, societies have risen and fallen over these issues (i.e., the Soviet Union). Revolutions and civil wars have been fought over them. Economic progress has advanced and faltered. Debates about value, labor, and efficiency remain, in short, seminal to the human condition.

Value and the Foundations of Classical Economics

In exploring the foundations of classical economics and its continuing impact, it is useful to remind ourselves of the material and intellectual conditions that existed at the dawn of the Industrial Revolution. In France, Britain, and, to a lesser degree, Prussia – Europe's leading economies – the intellectual dynamism of an urban elite was self-evident. In visiting Paris before the Revolution, the English agronomist, Arthur Young (1792/1909: 95–96), chanced to visit the residence of Antoine and Marie-Anne Lavoisier, observing the scientific laboratories in which they completed experiments into chemical structure, the generation and use of electricity, and the creation of vacuums. Across Europe, the writings of George Berkeley, David Hume, Voltaire, Jean-Jacques Rousseau, Montesquieu, Rene Descartes, Immanuel Kant, and Johann Goethe were laying the foundations of modern philosophic and political thought. Underpinning intellectual advance was a rising tide of wealth. Along the Atlantic seaboard, the ports of Britain and France were flooded with the imported produce of the Americas (sugar, coffee, tobacco, and cotton), creating in both countries a large commercial bourgeoisie of merchants, financiers, and insurers. According to Fernand Braudel (1986/1991: 553), the profits enjoyed by this class were extraordinary; a successful sea voyage – which traded European goods for slaves in West Africa and slaves for plantation produce in the Americas – typically delivered profits of between 50 and 80 percent. The intellectual effect of this commercial dynamism was noted by Voltaire (1733/2002: 36) in his *Letters on England* where he recorded that, "A trading nation . . . grasps at every discovery."

If the dynamism that Voltaire described was very real, it was nevertheless equally true that beyond the wealthy circles of commerce – and the intellectual salons of London, Paris, and Berlin that proved Voltaire's natural abode – there existed a world of mass misery. Before the Industrial Revolution and its manufactured demand for a literate workforce, few could read or write. Reflecting on this circumstance and the condition of Paris's intellectual elite, Arthur Young (1792/1909: 24) – who recorded his observations in a subsequently published journal – observed that, "This society does like other societies – they meet, converse, offer premiums, and publish nonsense. This is not of much consequence, for the people, instead of reading their memoirs, are not able to read at all." Outside Paris, Young (1792/1909: 18) discovered that "the fields are scenes of pitiable management, as the houses are of misery." Throughout the countryside, Young continued, "girls and women, are without shoes or stockings." Although serfdom was no longer a feature of the French landscape, the peasantry were still subject to the c*orvee*, a system of forced labor that obliged rural folk to spend up to 40 days a year building roads, digging ditches, replacing walls, etc. If the British rural populace was spared such obligations, the revolution in the island nation's agriculture brought about by the "enclosure movement" (i.e., the fencing of formerly common and wasteland and its use for commercialized farming) was nevertheless associated with the displacement of millions from the land. The Catholic Irish and the crofters of the Scottish Highlands were hardest hit. In describing a typical experience, Marx (1867/1954: 420–21) recounts how between 1814 and 1820 the 15,000 "Gaels" who lived in Scotland's Sutherland district "were systematically hunted and rooted out. All their villages were destroyed and burnt, all their fields turned into pasture." Everywhere the threats of bankruptcy, personal ruination, violence, riot, and mass social explosion were not too far away. Even glittering careers ended in condemnation and tragedy. In reflecting upon his time at the Lavoisier household in Paris, for example, Young (1792/1909: 95) recounted how he "was glad to find this gentleman splendidly lodged, and with every appearance of a man of considerable fortune." Much of Lavoisier's "considerable fortune," however, came from his shares in the *Ferme Générale*, a company that bought the right to "farm" French taxes. When with the Revolution all the leading figures in the *Ferme Générale* were placed under arrest, Lavoisier lost not only his fortune but his head, guillotined in early 1794 at the age of 50.

Caught between a dynamic world of commerce on one side and a world of mass misery and violence on the other, the founding figures of classical economics were dealing with more than abstractions. Rather, they were seeking a set of principles that would benefit the many rather than the few, a sense of purpose that is perhaps best captured by Smith (1776: Book 1, Chap. I, para. 10) in the opening paragraphs of *The Wealth of Nations*, where he observed that through "the great multiplication of the productions of all the different arts," it was possible "in a well-governed society" to achieve "that universal opulence which extends itself to the lowest ranks of the people." What concerned them was not the possession of wealth and its consumption, but rather the processes through which value was created. Reflecting this fundamental distinction, the French eighteenth-century economist, Francois Quesnay (1766: 1), began his influential *Tableau Economique* by observing that, "*La nation est. réduite à trois classes de citoyens: la classe productive, la classe des propriétaires et la classe sterile*" ("The nation is reduced to three classes of citizens: the productive class, the class of owners and the sterile class"). Ten years later, Smith (1776: Book II, Chap. III para. 1), in *The Wealth of Nations*, drew a similar distinction between "productive" and "unproductive" labor noting that, "There is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no effect." Wages spent on "menial servants" attracted Smith's particular attention, Smith (1776: Book II, Chap. III, para. 1) observing that the labor of such individuals "does not fix or realize itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance." In addition to servants, Smith (1776: Book II, Chap. III, para. 2) also excluded from his list of "productive" labor both "important" and "frivolous professions," notably: "churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, [and] opera-dancers." Although John Stuart Mill (1848/2002: 74) subsequently decided to count as productive those "officers of government" engaged in "affording the protection" of society and industry (i.e., police, armed force, judges, prison guards, etc.), the distinction between productive and unproductive labor retained its importance. Mill (1848/2002: 100–101) was particularly scornful of money spent on government, declaring: "Whenever capital is withdrawn from production . . . to be lent to the State and expended unproductively, that whole sum is withheld from the labouring classes." Marx also drew a sharp distinction between productive and unproductive labor.

In Marx's analysis, the transformative potential of any capitalist society rested primarily in the "proletariat," a group that included only those who produced a "surplus value" that added to a society's productive capacity. In Marx's (1867/1954: 477) view, even a "schoolmaster" who "works like a horse" to make a profit for their employer is unproductive in that they fail to produce surplus value. Accordingly, "That labourer alone is productive, who produces surplus-value for the capitalist, and thus works for the self-expansion of capital."

Although the foundational texts in economics were united in drawing a distinction between "productive" and "unproductive" labor, they differed in their estimations as to what constituted "productive" work. In France, the nation's economists and *physiocrats* tended to the view that only farmwork created real value. Quesney (1766: 2), for example, defined "La classe sterile" (the sterile class) as comprising "tous les citoyens occupés à d'autres services et à d'autres travaux que ceux de l'agriculture" (all the citizens engaged in work other than those of agriculture). As we noted in the introduction to this chapter, Quesney's view corresponded to the earlier analysis of Cantillon, who saw land as the sole "source or matter from which all wealth is drawn." Smith, by contrast, concerned as was with the wealth-multiplying effects of the division of labor, saw productive work and value creation in much wider terms. In his estimation (Smith, 1776: Book II, Chap. III, para. 4), economic value came "either from the ground, or from the hands of productive labourers." Perhaps even more significantly, Smith (1776: Book II, Chap. III, para. 4) drew a fundamental distinction between *how* a society's annual wealth is distributed between immediate consumption and savings or "capital" directed toward future production. It was upon the size of the latter, rather than the former, that Smith believed a society's wealth rested.

Smith's differentiation between "wealth" and productive "capital" is a fundamental distinction that still eludes many. In his much-read *Capital in the Twenty-First Century*, Thomas Piketty (2012/2014: 1), for example, opened his book by stating, "The distribution of wealth is one of today's most widely discussed and controversial issues." Piketty (2012/2014: 48) then, however, immediately proceeded to conflate "wealth" with "capital," defining "'national wealth' or 'national capital' as the total value of everything owned by the residents and government," a definition that counted the value of residential real estate, currency in bank deposits, artwork, and the like as "capital." Piketty's conflation of capital, wealth, and landed property – a viewpoint that his French predecessors, Quesney and Cantillon, would have endorsed – ignores the fact (which Smith understood) that businesses and societies have to constantly decide whether to allocate money toward consumption, which adds to the immediate material "wealth" of its citizens, and "saving," production geared toward capital goods, or other forms of investment, which adds to future productive capacity. Accordingly, in measuring "wealth," the most common current measure is gross domestic product, which is an estimate of the value of goods and services produced over a particular period of time. By this measure, it is a society's *productive capacity* that determines its wealth and the wealth of its citizens, not the society's store of gold, silver, diamonds, and monetary currency. Accordingly, a house or apartment will only figure in gross domestic product in the year in which it is constructed, further appearances being restricted to the value attached to repairs or additions incurred in future years. Using gross domestic product as a measure of wealth, a prosperous society that witnessed the destruction of all of its houses, but none of its capital investment, would be considered to be still well-to-do. By comparison, a society that suffered the loss of all its capital, but none of its houses, would be regarded as destitute.

In the eighteenth and nineteenth centuries, the divisions relating to the nature of productive labor were also reflected in differing perceptions of value. Although all political economists well understood that the *exchangeable* value of a commodity varied according to market circumstances (i.e., variance in supply and demand, seasonal variations, government-imposed restrictions and taxes, etc.), they had conflicting views as to what determined a good's "intrinsic" value or "natural" price.

As with many things in economics, it is Smith's formulations regarding value that are typically regarded as the discipline's foundational understandings, Smith (1776: Book I, Chap. IV, para. 13) famously drawing the distinction between "use" value and "exchange" value through the analogy of water and diamonds. "Nothing is more useful than water," Smith (1776: Book I, Chap. IV, para. 13) observed, "but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it." Although unacknowledged, it is clear that Smith's famed analogy owes – as with other things – a considerable debt to Cantillon, who in his *An Essay on Economic Theory* (1755/2010: 54) reflected how:

> *The price for taking a jug of water from the Seine River is nothing, because there is an immense supply, which does not dry up. However, in the streets of Paris, people give a sol [a low denomination silver coin] for it, which is the price, or measure, for the labor of the water carrier.*

In extending this analogy, Cantillon (1755/2010: 54) was also the first to explore in a systematic fashion the factors that determined "the intrinsic value of a thing;" an exploration that reflected his realization that prices must ultimately reflect production costs rather than market factors, i.e., a good cannot be consistently sold below the cost of production. In Cantillon's (1755/2010: 54) estimation, the "intrinsic" value or price for any given commodity is determined by "the quantity of land and of labor entering into its production, having regard to the fertility or productivity of the land, and to the quality of the labor." Drawing a clear distinction for the first time between "intrinsic value" and "market" price, Cantillon (1755/2010: 55) noted that "it often happens" that goods "are not sold in the market" according to their "intrinsic" value due to variations in "the desires and moods of men." Nevertheless, Cantillon (1755/2010: 55) suggested, "in well-ordered societies, the market prices . . . do not vary much from the intrinsic value."

Having provided solid foundations for subsequent theorization through his differentiation of use and exchange value, and of "intrinsic" and "market" prices, Cantillon then proceeded to make a number of errors. First, Cantillon (1755/2010: 55) wrongly believed that, "There is never variation in the intrinsic value of things," an estimation which, if true, would have ruled out the constant reduction in prices – and hence increased material wealth – that characterize modern market economies. Cantillon's second critical error, which was the cause of the first, was to believe that *all* economic value is ultimately determined by landed output (i.e., farm produce and minerals). In explaining his reasoning, Cantillon (1755/2010: 56) argued that as labor was the only element that factored in the creation of value other than land, "and as those who work must subsist on the production of the land, it seems that some par value or ratio between labor and production of the land might be found." As we noted in the introduction to this chapter, Cantillon (1755/2010: 62) calculated that the intrinsic value of a commodity was worth twice the value of the landed output consumed by the worker who made the object during the period of production, i.e., if I manufacture a chair over 2 days, then the chair is worth the landed output I consumed over 4 days.

Cantillon's conflation of "value" and "landed" output reflected not only the overwhelmingly rural nature of the French society within which Cantillon operated but also the slow progress of industrialization in France vis-à-vis Britain, a hesitancy that was to stymie not only France's economic advancement but also the intellectual, scientific, and technological ascendancy that France superficially appeared to have secured during the eighteenth century. In explaining France's inability to match the pace of Britain's industrial progress, Braudel (1986/1991) traces the root cause back to energy shortages. "The problem, not to say tragedy," Braudel (1986/1991: 523) concluded, "was that there were not enough French coalmines, and those there were proved difficult and costly to operate. The mining areas were far away from the consumers." Forced to rely on wood for heating and charcoal long after British consumers had switched to coal, France confronted immense difficulties when it sought to adopt steam-powered technologies. Consequently, when machinery was introduced into Paris's cotton-spinning industry in the early 1800s, the factories were forced to rely on horses – not steam engines – for their motive power. As late as 1857, barely a third of France's cotton mills were steam powered, most relying instead on age-old water-driven technologies (Braudel 1986/1991: 520–521).

If in Cantillon's hands, the concept of value, by being linked to landed production, was trapped within a static formulation. Smith's genius lays in creating from this a dynamic theory. To begin with, Smith (Book I, Chap. VII, para. 7) adopted Cantillon's differentiation between "market" prices and intrinsic value, or what Smith referred to as "natural price," which could "either be above, or below, or exactly the same" as its market price. In turning to the determining factors in a good's "natural price," however, Smith rejected Cantillon's association of value with landed output, choosing (Smith Book II, Chap. VII, para. 3–7) sensibly decided to calculate a good's "natural price" according to the *monetary* value of its cost; costs consolidated under three headings: rent, wages, and "stock" (fixed capital). When a good sold for an amount equal to these costs – what Smith (Book I, Chap. VII, para. 5) called its "prime cost" – Smith (Book I, Chap. VII, para. 4) concluded that it "then sold for what may be called its natural price." As the disciplines of cost and management accounting emerged during the nineteenth century, Smith's theorem laid the basis for what is referred to as the "costs attach" concept of value, i.e., the value of a good or service is the total sum of the costs expended in its creation. Significantly, Smith did not include the "profits" of the entrepreneur either as a "prime cost" or as an item in its "natural price," merely counting instead a sum equal to the replacement cost of the "stock" consumed by the production process. Moreover, in exploring how the self-interested drive for profits underpinned the expansion of economic activity, Smith (1776: Book I, Chap. X, Part 1, para. 26) observed that the profit motive was typically driven as much by irrational greed as rational calculation, noting how, "The chance of gain is by every man more or less overvalued, and the chance of loss is by most men under-valued." As a general rule, however, Smith (1776: Book I, Chap. X) associated the size of the profit obtained relative to the sum ventured to be dependent on two things: the degree of risk and the demand for the objects produced with the entrepreneur's capital. The biggest profits and the larger losses were, Smith (1776: Book I, Chap. X, para. 44) calculated, invariably associated with newly created industries where demand and costs were poorly understood. Inherently speculative in the first instance, any profits above the norm – so Smith (1776: Book I, Chap. X, para. 44) argued – were soon curtailed as "competition reduces them to the level of other trades."

Smith's understanding of value, adapted as they were from Cantillon, has permeated not only economics but also almost all aspects of management and public policy. Where Cantillon (1755/2010: 55) in expressing the view that "There is never variation in the intrinsic value of things" reflected an essentially feudal view of wealth – where *retaining* value is all important – those who followed in Smith's intellectual footsteps understood that increased societal wealth was associated with *reductions* in value, i.e., we can consume more objects as they become cheaper relative to our income. In comprehending the drivers of this simultaneous *reduction* in value and *creation* of wealth, it is critically important that we understand – as Smith evidently did – that we are *not* primarily talking about changes in "market" prices but rather falls in the "natural" prices of things. For whereas with regard to the former we are principally talking about short-term variations in price given *current* levels of production and demand, in relation to the latter we are paying regard to permanent falls in production prices due to improved technologies and/or systems of work. Among Smith's intellectual heirs, this point was best made by Alfred Marshall (1920: 314–315), who drew a distinction between not only "market prices" and "normal prices" (what Smith called "natural prices") but also "secular prices," the latter being determined by long-term changes in knowledge and/or productive capacity, i.e., computer prices have fallen precipitously due to the revolutionizing of silicon memory chips.

Among political economists, only Marx has put forward a far-reaching counter to the understandings of value that Smith pioneered. In essence, Marx took Smith's (1776: Book I, Chap. V, para. 17) formulation that labor is "the only accurate measure of value," to an extreme if logical conclusion: economic value *only* comes from the "surplus value" created by manual workers in agriculture, mining, and, above all, manufacturing. As Marx (1867/1954: 313) explained in *Capital*, "The directing motive, the end and aim of capitalist production, is to extract the greatest amount of surplus-value." For Marx, surplus value was the wealth created by a worker that exceeded the sum necessary for their bare family subsistence. To get around the contribution of machinery and other "stock," Marx (1867/1954: 57) declared that all "fixed capital" was "congealed" labor. According to this formula, if a worker labored for a month for a subsistence wage of $400 to produce a good whose "relative" value (i.e., its value measured in terms of either money or some other comparative form) was $1000, but in that month the machinery the worker used cost $200 (in terms of wear and tear and consumables such as oil), then the "surplus value" extracted from the worker is $400. By so reducing everything to labor costs, Marx created a theoretical model that was of greater use as a political weapon against capitalism than as a framework for understanding how a business operated. For in Marx's analysis, the key driver of capitalist expansion is the industrial working class, the proletariat: not the entrepreneur.

The fundamental problem with Marx's critique is that it focuses on the problem of value *creation*, just as Cantillon's model focused on the retention or permanence of value. What both frameworks willfully overlooked was that the key to capitalist production is – as noted above – the constant *reduction* in the value of the objects being produced. For what makes modern industrial capitalism such a revolutionary force is not the constant alteration in "market" prices but rather the continual declines in the underlying "natural" or "normal" price. As Schumpeter (1942/1975: 84) famously observed in his discussion of "creative destruction," what is most revolutionary about capitalist production is its constant destruction of inefficient and outmoded producers. Accordingly, for existing producers, the most deadly form of competition is not textbook "market" competition, Schumpeter (1942/1975: 84) argued, but rather the competition that fundamentally alters the nature of production; competition "which strikes not at the margins of profits . . . but at their foundations."

Society and Markets

Typically, discussion of classical economics revolves mainly – or even solely – around markets. As we noted in the introduction to this chapter, however, the foundational understandings of markets in classical economics rested on even more fundamental debates relating to the nature of value, the essential character of human nature, and the appropriate form for the "well-governed society" which Smith (1776: Book 1, Chap. I, para. 10) identified as a prerequisite for economic expansion.

Prior to Smith, it was universally believed that security rather than liberty was the essential precondition for material advancement. Thomas Hobbes (1651/2002: 66), for example, in drawing up principles for a "covenant" or "contract" between rulers and ruled, argued that "security" was the key societal factor in securing the advancement of both "industry" and "knowledge." Whether this was achieved through an absolutist monarchy or a democracy was of no great interest to Hobbes as long as government had the capacity to enforce its will. For Hobbes (1651/2002: 85) concluded, "covenants without the sword are but words." A generation later, John Locke (1689/1823: 159) similarly observed in his *Two Treatises of Government*, "The great and chief end ... of men uniting into commonwealth, and putting themselves under government, is the preservation of their property;" property constantly threatened in nature by sentiments of "passion and revenge." In France, Montesquieu, in his *The Spirit of the Laws*, also believed that a system of "civil laws" – enforced by state apparatuses – was a precondition for industry. For without such protections, Montesquieu (1748/1989: 290–292) concluded, people would be "very few" and constantly "prey to their enemies." Voltaire (1756/1963: 246–247) similarly held to the opinion that without a "powerful" state guided by law – created through "favourable circumstances over many centuries" – humanity was condemned to a "brutish state," scarcely able to "provide for their own needs."

As we noted in the introduction to this chapter, the emphasis on a strong state, guided by "civil laws" that protected citizens from arbitrary actions – with by state officials or their fellow citizens – reflected a fundamentally pessimistic view of human nature. Where humanity is unprotected from its own vices through a system of "government," Hobbes (1651/2002: 62) famously observed, life is inevitably "solitary, poor, nasty, brutish, and short." The necessity for a strong state was, however, even shared by Jean-Jacques Rousseau (1762/1950: 1), who differed from most other Enlightenment thinkers in having a far more optimistic view of human nature and who memorably began his *Social Contract* with the statement that, "Man is born free, and he is everywhere in chains." However, Rousseau (1762/1950: 18–19) believed that complete freedom can only exist in a "natural" world inhabited by noble "savages" and subject to nature's laws. In exchanging this rustic life for civilized existence, Rousseau (1762/1950: 28–29) contended, all of society's members must submit to the "absolute power" of the state's "sovereign will." Within such a civil society, Rousseau (1762/1950: 27) argued, any "partial society" of distinct interests must be avoided so as to avoid both discord and actions contrary to the "general will."

Into this debate about the appropriate political and economic frameworks for commercial and industrial advancement, guided by near unanimity as to the benefit of regulation, David Hume's (1739/1896) *A Treatise on Human Nature* represented a revolutionary departure. Whereas others perceived societal organization stemming from the need to impose restraints on human instincts and passions, Hume argued that it was primarily self-interest – not enforced laws – that acted as a society's primary glue. For Hume (1739/1896: 273) reasoned, not only is it the case that humanity is mainly "govern'd by [self] interest," it is also the case that the benefit of upholding a system of mutual social and economic exchange is "palpable and evident, even to the most rude and uncultivated of the human race."

With Smith and *The Wealth of Nations*, Hume's argument that self-interest was the main societal glue was transformed into the central explanation for economic exchange, an explanation that marginalized the proper role of the state in a "well-governed society." What underpinned a "civilized society," Smith (Book I, Chap. II, para. 2) argued, was not force but rather the fact that each individual "stands at all times in need of ... co-operation and assistance." In seeking the "cooperation" of their fellow, citizens Smith (Book I, Chap. II, para. 2) continued, "it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage." In terms of economic functioning, it was this "self-love" that underpinned what Smith (Book I, Chap. II, para. 1) suggested was a natural "propensity of human nature," namely, "the propensity to truck, barter, and exchange one thing for another." In Smith's view, this innate propensity had two key positive effects. First, it encouraged individuals and firms to specialize in those activities in which they had a competitive advantage, knowing that they could then exchange the product of their labor; an outcome that entrenched the specialized division of labor that was essential to economic efficiency. Second, Smith (Book I, Chap. V, para. 4) believed that it was through the propensity for exchange and the resultant "higgling and bargaining of the market" that an economy was able to determine what goods and services were required for production without state-mandated directions. As Smith (Book I, Chap. VII, para. 9) lucidly explained it, whenever "the quantity of any commodity . . . falls short of the effective demand," so there occurs an increase in the "market price," thereby bringing more supply into the market. Once this additional supply reaches the market, prices will then return to more or less their "natural" price as equilibrium is restored. Taken up with gusto by subsequent economic studies in the early nineteenth century, most notably by David Ricardo (1817/1969) and John Stuart Mill, belief in the efficacy of market competition became a cornerstone of classical economics, Mill (1848/2002: 795) recording in his *Principles of Political Economy* that "every restriction" of competition "is an evil, and every extension of it . . . is always an ultimate good."

As readers would be aware, it is Smith's conceptualizations regarding markets – rather than his ideas relating to value, price, labor specialization, human nature, and the nature of productive labor – that have had the most enduring legacy; a legacy that is, however, wrapped in myth and misunderstanding. Even such a noted authority as Alfred D. Chandler, Jr. (1977: 1), began his most influential study, *The Visible Hand: The Managerial Revolution in American Business*, by wrongly attributing to Smith the maxim that economic outcomes are best determined by "the invisible hand of market forces." For while it is evident that Smith *did* believe that self-interested market exchanges provided the most efficient way of balancing supply and demand, it is also apparent that he well understood that the "invisible hand" of self-interest constantly impeded such exchanges. At every point, as Smith discussed repeatedly in *The Wealth of Nations*, people conspire to subvert market forces so as to secure private gain. Anyone who imagined, Smith observed (Book I, Chap. VIII, para. 13), "that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination . . . We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things." Smith (Book I, Chap. X, Part II, para. 23) also observed how townsfolk, "being collected into one place" and able to "easily combine together," conspired against country residents, charging them more for city manufacturers than what was conscionable. In addition, the "greater part of corporation laws," Smith cynically reflected (Book I, Chap. X, Part II, para. 23), existed for the purpose of "restraining that free competition" which, if allowed, would contribute to a reduction in prices.

Although he did not reflect upon the matter, it is evident that the division of labor also hinders the "perfect liberty" of the market that Smith favored. As firms become increasingly capitalized, the entrance of new suppliers into any given market becomes an increasingly complex affair; an outcome that often leaves established market participants with an oligopolistic stranglehold. With the increasing size of markets and firms – and the commensurate growth in the complexity of financing arrangements, supply chains, and purchasing contracts – the simple market exchanges that Smith, Ricardo, and Mill regarded with favor also become increasingly problematic. As the Nobel prize-winning economist, Oliver Williamson (1976: 8–9), noted in outlining the principles of "transaction cost economics," the uncertainties and opportunism of market exchanges create costs for a firm that are often higher than those that would have been suffered if they had been internalized. By internalizing market functions, firms can not only avoid price gouging by suppliers, they can also mitigate the effects of variations in seasonal supply. In a similar vein, Chandler (1977: 1) famously argued in his *The Visible Hand* – a work that redefined not only the discipline of business history but also our understandings of the historic role of the business corporation – that over time "the modern business enterprise" increasingly took over "functions hitherto carried out by the market," most particularly those relating to distribution and the coordinated flow of goods and services. In Chandler's (1977: 1) estimation, this historical change not only made "managers the most influential group of economic decision makers" in modern society, it also heralded the displacement of free-market capitalism by new forms of economic organization associated with what he called "managerial capitalism."

The tendency over time for firms to displace free-market exchanges with intra-firm mechanisms is indicated in Fig. 1.1 which is based on a World Bank (2017: 61, SF2.1) analysis of US custom's records since the global financial crisis of 2007–2008. In the period between 2010 and 2014, which was the period for which the World Bank had the most complete results, it was found that the rate of "intra-firm" imports grew 55.9 percent faster than that for what it referred to as "arm's length" imports, i.e., conventional purchase and sale through market mechanisms. Even when it came to exports, the World Bank (2017: 61, SF2.1) found that the pace of "intra-firm" exchanges is growing significantly faster than that for direct market

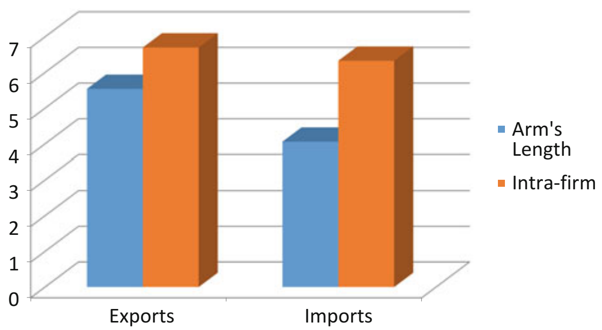

Fig. 1 Percentage growth in US "intra-firm" and "arm's length" trade, 2010–14 (Source: World Bank Group, *Global Economic Prospects, June 2017*, 61, Figure SF2.1)

dealings; a result that appears to reflect growing concern at the disruptive effects of changes in currency movements and other forms of trade and financial volatility.

In increasingly complex markets, where supply for a particular good or service is often dominated by a small number of firms, the idea that increased prices must necessarily lead to increased supply, and hence a return to lower prices, also proved problematic. As Keynes (1931: 393) noted in his critique of Friedrich Hayek's (1931) *Prices and Production* (which had defended the neoclassical belief in free markets), "a changing price-level merely *redistributes* purchasing power between those who are buying at the changed price-level and those who are selling." In other words, decreased supply and a higher price tend to increase the power of the seller rather than the buyer. It is, moreover, to the seller's benefit (if they have sufficient market control) to continue this situation, thereby recouping a higher return for the same costs of production, rather than in restoring price equilibrium through increased supply.

Chandler (1977: 1), in summing up the continuing role for markets in modern democratic societies, concluded that although the coordination of distribution and supply is increasingly done via intra-firm mechanism, it is nevertheless the case that the market remains "the generator of demand for goods and services." While there is considerable truth in this proposition, it is also an overly simplistic enunciation as to the relationship between managerial functions and market mechanisms. For while most of us, when we think of demand and supply, think of the direct provision of *consumer* demand, there is invariably an intermediate step between supply and demand: investment. For without investment, there can be no assured future supply. In looking at the place of investment in the economy, however, we are not primarily looking toward *current* demand as to *future* demand. In other words, firms invest to the extent to which they see future demand as being beyond the scope of the currently available resources. Despite this future focus, it is nevertheless also evident that "investment" creates its own current demand, not only for material goods but also for services and labor. In other words, "demand" comprises not only "consumer" demand but also the various forms of demand created by investment. Demand is also not, as classical economists assumed it was, totally elastic, able to consume to the fullest the fruits of industry and commerce. Rather, in the case of consumer demand at least, it is ultimately constrained – even where personal financial credit is obtainable – by income.

Now the economic constraints imposed by a society's deficient income have been long recognized. Arthur Young (1792/1909: 27), for example, in observing at first hand the condition of prerevolutionary France, concluded that the nation's principal economic failing was the "poverty" of the ordinary citizen; a poverty that struck "at the roots of national prosperity" by constraining the demand for goods and services. For Young (1792/1909: 27) accurately reflected, "a large consumption among the poor" is "of more consequence than among the rich." In classical economics, however, waged income is invariably counted as a business cost that is best reduced rather than as something that has a dual character: as both a business cost and a source of business demand and income. Accordingly, it is argued that any increase in wages must have a detrimental effect on profits and productive capacity. As David Ricardo (1817/1969: 76) expressed it in outlining his theory of a "wages fund" (i.e., the amount of money payable to wages at any given time is fixed and immutable and can only be temporarily increased at the expense of future economic capacity), higher wages "invariably affect the employers of labour by depriving them of their real profits." The problem with this still widely held view is that it fails to provide a mechanism to escape either a deflationary wage-price spiral (i.e., a situation where falling wages have an adverse effect on overall consumer demand) or the entrenched poverty that Young described in prerevolutionary France. It was on this point – rather than on the basis of a general hostility to classical economics – that John Maynard Keynes parted company with Smith and his intellectual successors. In Keynes (1936/1973: 293) view, the key to escaping a deflationary wage-price spiral and/or an entrenched deficit in demand is to focus not on consumer demand but rather on investment demand. By increasing investment, Keynes (1936/1973: 293) argued, an economy is able to not only increase its long-term capacity, it can also provide an immediate stimulus to wages, business activity, and demand. Although in his *The General Theory of Employment, Interest and Money* Keynes made few references to the role of government, it is nevertheless clear that he saw public policy as best fulfilling a role where it provided *incentives* and *mechanisms* that brought about increased *private-sector* activity. As Keynes (1936/1973: 129) explained in a famed, if somewhat flippant example:

> *If the Treasury were to fill old bottles with bank-notes, bury them at suitable depths in disused coal-mines . . . and leave it to private enterprise on well-tried principles of* ***laissez-faire*** *to dig the notes up again (the right to do so being obtained, of course, by the tendering for leases of the note-bearing territory), there need be not more unemployment and . . . the real income of the community, and its capital wealth also, would probably become a good deal greater.*

If there are evident deficiencies in the understandings of classical economics in relation to the operation of modern markets, this should nevertheless blind us to its continuing utility when it comes to not only the overall relationship between supply and demand but also its insights into value, the efficient use of labor, and the motive forces behind economic growth. The continuing relevance of classical economics to all aspects of business and management is perhaps best indicated in the assessment that Keynes – arguably the most perceptive critic of the genre – made in his *The General Theory of Employment, Interest and Money*. Pausing to highlight the continued veracity of the key insights that Smith first elucidated, Keynes (1936/1973: 379–380) argued that by allowing "the play" of the economic factors that Smith highlighted – "self-interest," "the exercise of personal choice," and the resultant "decentralization of decisions" – a society was ensuring not only economic "efficiency" but also "individualism." The lessons of the last 80 years provide confirmation of this assessment. For as the experiences of societies that have departed from the societal and economic model that both Smith and Keynes endorsed – a model built around choice, individual and business autonomy, critical inquiry, and innovation – mass tragedy has invariably ensued.

Whereas in the past the critics of classical economics, most particularly Marx and Keynes, were focused on the role of labor in the creation of value and on the importance of demand mechanisms in economic growth, the rise of postmodernism has been associated with critiques that challenge the very legitimacy of economics. With Michel Foucault (1976/1978: 7), the most influential of postmodern theorists, "the economic factor," the idea that business endeavor and wealth creation are core social objectives, is dismissed in favor of new "discourses," the initiation of challenges against power wherever it exists, the "overturning of global laws," and "the proclamation of a new day to come." Far from being a liberating force, modernity is depicted as entailing "new methods of power" and oppression, "methods that are employed on all levels and in forms that go beyond the state and its apparatus (Foucault 1976/1978: 89). Mere "obedience" is no longer enough. Instead, Foucault (1976/1978: 89) argued, a "normalization" of accepted values and power structures is demanded. In the work of the late Hayden White (1973: 1–2), arguably the most influential Foucauldian postmodernist in the English-speaking world, "the presumed superiority of modern, industrial society" is also dismissed as nothing but "a specifically Western prejudice." As we noted in the introduction to this chapter, hostility to economics is now endemic in business-school academia. In a much-cited article announcing the so-called historic turn in organizational studies, Clark and Rowlinson (2004: 337), for example, dismissed economic "models" as mere products of "a hierarchical set of fixed preferences." Postmodernists also announce hostility to the traditions of scientific inquiry upon which not only economics but Western intellectual endeavor in general has been built. Writing in *Business History*, Decker, Kipping, and Whadhwani (2015: 30–40) – where the former is co-editor – declare rejection of "the dominant science paradigm and its hypothesis-testing methodology." Elsewhere we are told by Novecivic, Jones, and Carraher (2015: 13) that management cannot be understood on the basis of "positivist factual truth-claims."

The postmodernist hostility to economic inquiry means that its critiques rarely if ever engage with those debates that were long central to Marxist and Social-Democratic intellectual traditions; traditions that asked a number of the same questions posed by Adam Smith and his successors, albeit in ways that led to different questions. In seeking answer to questions relating to the nature of economic value, for example, Marxists and Social-Democrats typically placed greater emphasis on the contribution of labor than capital. Similarly, in seeking answers to questions relating to productivity and wealth creation, Marxists and Social-Democrats tended to place greater emphasis on education and training than those schooled in the traditions of Adam Smith. What all shared, however, was that the worlds of work and wealth creation were not marginal issues for a society. Rather, they are the seminal concerns. As the global economy emerges from the Coivid-19 pandemic and its aftermath, it will be a global tragedy with devastating consequences if such issues are not once more given a central place.

Conclusion

It is unfortunate truth that even among management scholars and practitioners, a knowledge of the economic debates that have been seminal to humanity's progress over the last 250 years is becoming increasingly uncommon. One often hears people talk of Smith's "invisible hand of the market," even though Smith never used the term. When listening to exponents and opponents of "classical," "neoclassical," and "neoliberalism" talk about economics, we also find they are invariable referring to the veracity of "market" principles. Yet, as we have discussed, classical economics was always concerned with far more than markets. The nature of value, the components that contribute to its creation, the efficient organization and use of labor, and the calculation of profit were all central to its inquiries. Everyone who has followed in the footsteps of this intellectual tradition, including critics such as Karl Marx and John Maynard Keynes, has drawn on these conceptual tools to frame their thinking.

Typically, most researchers trace the foundations of classical economics back to Smith and *The Wealth of Nations*. As this chapter has indicated, such a course can only be undertaken with many caveats. For in estimating Smith's contribution to economics, as we have previously noted, Murray Rothbard (2006: 435) declares him to be "a shameless plagiarist, acknowledging little or nothing and stealing large chunks, for example, from Cantillon ... he originated nothing that was true." Certainly there is some truth to this point. Smith's understandings of "self-interest," which he saw as "an invisible hand" that guided human endeavor, were obtained from Hume. Smith's understandings of value were drawn in large part from Cantillon. Even the example he used in outlining the nature of "use value" (i.e., water) was an unacknowledged paraphrasing of Cantillon. The fact that Smith was as much a synthesizer of other people's ideas as an original exponent of his own concepts should not, however, cause us to devalue either his ideas or the foundational concepts of classical economics. What was particularly revolutionary about Smith's ideas was his linking of individual market choice, value, production, and the efficient use of labor through specialization and competitive advantage. Whereas Cantillon (1755/2010: 55), who believed that all value and wealth ultimately stemmed from the land, and perceived "intrinsic value" (i.e., the real economic value or worth of a commodity) as something that never varied, Smith demonstrated that wealth is created by *reducing* the value of things; an outcome that reflects the effects of machinery and specialization in causing objects to be produced with ever *less* labor. Accordingly, the foundational concepts of classical economists – by pointing to efficiencies in production as well as to the utility of market exchanges – proved no less revolutionary than the steam engine in underpinning material advancement. As such, they also remain central to our times.

Cross-References

► Chandler and the Visible Hand of Management
► Hayden White and His Influence
► Paul-Michel Foucault: Prophet and Paradox

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Neo-Classical Thought: Alfred Marshall and Utilitarianism

16

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Contents

Abstract

Few people have inspired a shift in economic thought. Alfred Marshall is one of the few. One hundred years following the publication of Marshall's seminal work, the *Principles of Economics*, his thoughts and ideas remain not only relevant to the theoretical inquiries of the modern age but of practical significance to today's managers. Central to Marshall's contribution to the foundations of modern management is his concept of utility. Utility throughout time has been described as many things by many people. Associated with morals, usefulness, and later correlating with human wants and desires, our understanding of utility underwent a marked transformation throughout the Classical and Neo-Classical eras. In order to appreciate the role Alfred Marshall played in the development of economic understanding therefore, it is necessary that we also examine how his Neo-Classical explanation of utility emerged from his classical predecessors. This chapter explores Alfred Marshall and Utilitarianism.

Keywords

Alfred marshall · Neo-classical economics · Utility · Utilitarianism · Classical economics · Jeremy bentham · David ricardo · John stuart mill

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Few people have inspired a shift in economic thought. Alfred Marshall is one of the few. Uniting the concepts of supply *and* demand into a "modern" theory of value, Marshall has been described as a "supreme" authority "among the economists of the English-speaking world" (Davenport 1935/1965). This chapter explores the contribution Alfred Marshall and Utilitarianism – or as it is otherwise known, utility – made to the foundations of modern management. Utility throughout time has been described as many things by many people. Associated with morals, usefulness, and later correlating with human wants and desires, our understanding of utility underwent a marked transformation throughout the Classical and Neo-Classical eras. Notable, is the relationship between utility and value. Classical economists including David Ricardo and John Stuart Mill (in his later work) used the term utility to describe usefulness. If a good has use or satisfies some desire, it has utility. Goods that have utility consequently have value in exchange, a value that defines the power that good commands on the market. Marshall, however, later shifted the definition of utility associating it not with use value, but with exchange (Marshall 1890/1997).

Ricardo and Mill considered labor (or more specifically the cost of labor) as "the force determining the exchange value of goods," Marshall, on the other hand, did not (Marshall 1890/1997; Ricardo 1817/2001; Mill 1848/2004). Within the 1920 version (eighth and final edition) of Marshall's chief publication, the *Principles of Economics*, the Neo-Classical economist successfully argued that the exchange value of goods was influenced by the consumers "Desire or Want" for the good, or, in other words, the good's utility (Marshall 1890/1997; Davenport 1935/1965). According to Marshall, the "Desire for a commodity influences its value by influencing the eagerness of purchasers for it at a given value" (Marshall 1923/1929). The approach adopted by Marshall shifted the way one considers value to be created, enhanced, or diminished, for no longer are we focusing on the cost side of economics in the measurement of exchange value – the labor costs of producing the good – but rather both supply *and* demand. Although the labor and expenses embedded in the supply of a good provides a floor under the value for which management would aim to exchange their goods, supply costs do not determine utility. Nor do production costs directly influence the relative value a consumer is *willing* to exchange in order to acquire the good. Costs are but one factor influencing exchange value. Neo-Classical economists expand the scope of analysis to examine the role demand plays in influencing value. The Neo-Classical study of markets recognizes that exchanges are designed to optimize the want/satisfaction derived through "atomistic and individualistic" transactions (Reisman 1986/2011). For consumers, this want is found in maximizing utility, while for managers or capitalists, this want is found in the generation of profit (Reisman 1986/2011). Unlike Ricardo and Mill – who understood exchange value to be created through the goods "scarcity," the "quantity of labor," or "expense" embedded in a good (Ricardo 1817/2001; Mill 1848/2004) – Marshall acknowledged that where there exists no *want* for a good at any given time and place (e.g., "a house in a deserted mining village") (Marshall 1890/1997), despite the costs embedded (or sunk) in its supply, the item may have no value in exchange. In order to properly appreciate the influence Neo-Classical thought brought to the field of economic management, specifically, Alfred Marshall and

Utilitarianism, it is necessary that we understand how Neo-Classical economics emerged from its classical predecessors.

The classical economic period is delineated by three authors within this chapter: Jeremy Bentham, David Ricardo, and John Stuart Mill. While the Classical era comprised a range of authors, beginning with Adam Smith's publication of *The Wealth of Nations* in 1776 (Hollander 2016), in this chapter we examine how Bentham's founding concepts of utility and the late classical work of Ricardo and Mill – who are "traditionally" linked to Marshallian economics (Zamagni 2005; Colander 2000; Reisman 1986/2011) – informed and differed from Neo-Classical economics. Let us begin by outlining how management and the theory of value is discussed in classical economics. Jeremy Bentham, the author of *An Introduction to the Principles of Morals and Legislation*, began his book with a discussion of the principle of utility. Founded on the notion that utility is associated with the actions of people, conforming to Bentham's principle of utility required these actions to augment the "pleasure" (or "diminish" the "pain") of an agent (i.e., person, government), leaving that agent better off than they would otherwise have been (Bentham 1781/2000). While Bentham's work is founded on a moral philosophy, the ethical underpinnings found in his book are largely forgone in Ricardo's work and the later publications of Mill; within the third edition of Ricardo's book, *On the Principles of Political Economy and Taxation*, and Mill's *Principles of Political Economy*. Both authors principally focus on exploring the concept of value. Mill and Ricardo both embrace Smith's definition of value which has two different meanings: "Value in Use" and "Value in Exchange" (Ricardo 1817/2001; Smith 1776/1999; Mill and Laughlin 1885/2009). *Value in use* is defined as the goods utility – how useful or desirable the product is to a given person, while *value in exchange* refers to the purchasing power that product has on the market, or the quantity of other commodities for which it will exchange (Ricardo 1817/2001). Despite the importance of a good's value in use, it is a commodity's exchange value that is paramount in commercial transactions. According to Ricardo, "commodities derive their exchangeable value from . . . their scarcity and . . . the quantity of labour" embedded within them (Ricardo 1817/2001). Managing the quantity of labor required in production of the product is thus said to influence or "regulate" the exchange value (Ricardo 1817/2001). According to Ricardo's definition, we should see a correlation between the quantity of labor realized in a product, and its exchange value. Thus, if the quantity of labor increases, there should be a correlative increase in the power it commands over the market, a trend that continues in the opposite direction with every diminution in the quantity of labor (Ricardo 1817/2001).

Mill's understanding of exchange value is similarly founded on the contribution of labor. "Though we cannot create matter," Mill says, "we can cause" matter "to assume properties, by which" "it becomes useful" (Mill 1848/2004). It is labor, therefore, that creates utilities. Like Ricardo, Mill concedes to Smith's explanation that a good's value can be measured through two means: its value in use and its value exchange. In commercial markets, wherein commodities are exchanged for the purpose of generating benefits (e.g., profit), Mill recognizes that a product must "satisfy a desire, or serve a purpose" (have *use*) although it is the product's resulting "purchasing power" that defines the product's value in exchange (Mill 1848/2004).

In order to have exchange value a good must (a) have utility and (b) “some difficultly in attainment” (Mill 1848/2004). Where a good has utility and is able to be multiplied (i.e., reproduction is not limited), the exchange value gravitates toward the “labour and expense” invested in producing the product (Mill 1848/2004). Two commodities developed with the same value of labor (i.e., the same quantity of labor, with the same wages across the same time) will therefore, all things being equal, exchange for one another or, in other words, have the same exchange value (Mill 1848/2004). Any fluctuation in value is measured only in relation to the quantity of other things which it will exchange for at any given time (Mill 1848/2004). The inclusion of time into the discussion of exchange value is significant. For acknowledging the role time plays in changing market and comparative values, aids in explaining how, for example, a bottle of milk may exchange for half a loaf of bread today, but in 1 year, may exchange for two loaves of bread (e.g., supply of milk has severely declined). While money prices may rise (or decline) “generally,” exchange values do not.

Alfred Marshall shifts the paradigm for measuring exchange value. No longer is exchange value measured by the labor costs involved in supplying the good, but rather, by the consumer’s want for the good – the good’s utility (Marshall 1890/1997). According to Marshall, utility defines the usefulness of a “thing” or the “total pleasure or other benefit” that thing will yield for a person (Marshall 1890/1997). While the value of utility *cannot* be measured directly, it *can* be measured indirectly, by examining the price (or money value) a given person is willing to exchange in order to satisfy their “Desire or Want” (Marshall 1890/1997). In other words, the utility of a given product to any given person cannot be measured by their “want” for the product – for an innumerable number of factors would need to be considered – but rather by the amount of money they are willing to forgo in order to satisfy their desire and acquire the product. Utility, therefore, is measured on an individual basis and cannot be measured “generally,” for what a loaf of bread is worth to one person may be vastly different to what it is worth to another. However, as we will see throughout the body of this chapter, one can find a broad correlation between utility and value – for when the exchangeable value of a good (the sale price) decreases, this will commonly be followed by an increase in sales. In other words, the number of people satisfying their desire or want for the product by purchasing it. This correlation is in part the result of the increased “consumer surplus” gained by the buyer through a lower exchange price. Greater consumer surplus is gained with every increase in the difference between the price one would be “*willing* to pay rather than go without” [emphasis added] the good and the price one “*actually* does pay” [emphasis added] (Marshall 1890/1997). Marshall, like classical economists, acknowledges the significance of labor costs embedded in the ultimate cost of producing a commodity, for in commercial transactions where profit (or *surplus value*) is desired by an organization, production costs act as a floor under the sale price. Marshall, however, builds upon the classical theories to incorporate the importance of utility, namely, the consumes perceived want or desire for a product into the equation.

One hundred years after the publication of Alfred Marshall's seminal work, the *Principles of Economics*, his thoughts, and ideas remain not only relevant to the theoretical inquiries of the modern age but of practical significance to today's managers. Ultimately, management actions within a business are governed by the anticipation of profits (Besanko et al. 1996), optimizing the difference (i.e., *real* surplus value) between the costs of production and the sale price of their product (goods or services) over a given period of time. According to Neo-Classical economic thought, consumers are central to such transactions, for, in order to sell or exchange their products, management requires their product to have utility and thus, a level of consumer demand suitable to meet their income needs. Neo-Classical economics acknowledges the consumer's regulatory power over the level of demand for a business's product lines and/or service provisions, recognizing that the "ultimate regulator of demand is consumer demand" (Marshall 1890/1997). Acknowledgment of this power provides management with the ability to ensure their time and money is invested not only in the development or supply of products with utility but also in enhancing existing lines to increase the utility of (or the consumers "Desire or Want" for) the product. In order to appreciate the contribution Marshall's work made to the development and understanding of value and utility, it is necessary in the first instance to recognize how these concepts were known before his time. Classical economic theorists such as Mill and Riccardo, when addressing the question of how value is exchanged, focus much of their attention on the supply side of the equation, specifically the labor component embedded in the final product (Myint 1948; Ricardo 1817/2001; Mill 1848/2004). Neo-Classicalist Marshall, on the other hand, incorporates an analysis of the demand side, the consumer's perceived utility of a good. The significance of the transition from Classical economics to Neo-Classical economics, therefore, lies not in how each paradigm finds different answers to the same question but, rather, how the different paradigms ask different questions (De Vroey 1975). The purpose of this chapter is to examine Neo-classical thought: Alfred Marshall and Utilitarianism. Two key concepts lie central to this purpose: Value and Utility. In order to meet the objectives of this chapter, we examine not only Alfred Marshall's concept of utility but also how his Neo-Classical explanation of utility has emerged from his classical predecessors.

Utility: From Bentham to Mill

Utility appears at first instance to be a simple term, easily understood. However, upon tracing its history, it is clear that the definition has undergone a marked transformation between the Classical and Neo-Classical eras. While the early concept of utility can be traced back to the time of Epicurus (241–270 B.C.E.) (Mill 1863/2009; De Witt 1954), it is within Benthamite's 1718 version of *An Introduction to the Principles of Morals and Legislation* where we will commence our analysis within this chapter. A fundamental understanding of the classical framework – from Bentham to Mill – is essential to tracing the development of utility and how it is understood in Alfred Marshall's Neo-Classical form.

Founded on the notion that utility comes "under the governance of two sovereign masters, *pain* and *pleasure*" (Bentham 1781/2000), Bentham's hedonistic definition of utilitarianism provided the foundation for the current study of utility (Légé 2018; Jevons 1871). Associating the principle of utility with an intricate moral philosophy, Bentham asserts that each person's actions, thoughts, or words are balanced against two things: on one hand, "right and wrong," while on the other, their "causes and effects" (Bentham 1781/2000). In practice, *conforming* to the principle of utility is said to augment the pleasure or "happiness of the party whose interest is in question," a party which may be an individual or collective group (Bentham 1781/2000; Reisman 1986/2011). As such, the comparative value of alternative options must be examined and weighed to ensure that when making decisions related to utility, the option generating the greatest pleasure (along with the lowest pain) is adopted. Bentham proposes that it is possible to measure the outcome or potential degree of pleasure or pain any decision may give rise to (for an individual) through an analysis of six factors: *intensity*, *duration*, *certainty* (or uncertainty), *propinquity* (or remoteness), *fecundity,* and *purity* (Bentham 1781/2000). Utility is only said to be achieved when the pleasure – achieved through an "action" or through the properties – "in any object" (Bentham 1781/2000) – exceeds the pain. This does not mean that *pleasure* (e.g., happiness, advantage, or benefit) must be attained. It does, however, mean that the *pain* (e.g., "evil, unhappiness, or mischief") must be reduced or prevented in order to conform to the principle of utility (Bentham 1781/2000). For an individual, conforming to this principle may not only see, for example, the purchase of a good increase their pleasure at a greater degree than the pain that would be incurred by not purchasing it but more broadly, an improvement in their overall "happiness." While Bentham does not investigate how an individual's "happiness," "pleasure," or "utility" could be harnessed by management or enhanced (thus capitalized upon), he does assert that the term "pleasure" may also coincide with "profit" (which Bentham deems as a "distant pleasure") (Bentham 1781/2000). Bentham goes on to state that the "ordinary commercial motive of pecuniary interest" is "good" (Bentham 1781/2000) and from this, we can assume that *typically* business transactions, and by extension the actions of management, conform to the principle of utility. The rather broad nature of Bentham's definition of "pleasure" and "pain," however, gives rise to many questions. Not least of which is how does one measure *in practice* the cumulative benefits gained by the majority holding group, against an aggregate of the individual's pain incurred as the minority? For example, if the development of an aluminum production plant was approved to commercially benefit the state as a whole through its value in use, by generating jobs, increasing prosperity, and improving national wealth, it would conform to the principle of utility. However, how is it possible to measure the aggregate of *individual* pains of every member of the minority who may lose their house, develop illnesses, or die at an earlier age as a result, balanced against the benefits of the majority? David Ricardo, a friend of Bentham in his later life (Cremaschi 2004) supposed this type of comparison is not possible due to the inherently different desires (needs and wants) of individuals. He states "One set of necessaries and conveniences admits of no comparison with another set; value in use cannot be measured by any known standard; it is differently estimated by different persons" (Ricardo 1951/2004).

Utility to Ricardo and Mill principally means something *useful*. Irrespective of its contribution to the betterment of pleasure or the diminishment of pain, utility as defined by Riccardo is the "faculty, which certain things have of satisfying the various wants of mankind" (Ricardo 1951/2004). Riccardo goes on to explain that "we do not create objects: all we can do is to reproduce matter under another form – we can give it utility" (Ricardo 1951/2004). In simple terms, this means that even when goods are formed in nature, such as air, water, or salt, it is human labor either directly or indirectly (through the use of machinery) which is required to collect, gather, or acquire the good. Put another way, "we cannot create matter, we can cause it to assume properties, by which, from having been useless to us, to become useful" (Mill and Laughlin 1885/2009). As labor is, therefore, required to sustain all facets of life, be it collecting apples from the orchard, cutting lumber for homes, or building generating stations that power a network of electrical grids, labor is the key ingredient that transforms properties into utilities. As such, according to these political economists: labor is central to utility. However, if Mill and Ricardo are not aiming to measure "happiness," we must question if "utility" defined as something useful, can be measured. In order to achieve this objective, we must understand one overarching factor: the relationship between utility and value.

A commodity which is of use has utility and, by extension, value. While there are many services or intangible "goods" that may have use (e.g., music playing on an instrument), it is only the "material products" upon which it is possible to assign a value (Myint 1948; Malthus 1820/1836). According to Riccardo, an object's utility – its usefulness in "satisfying the various wants of mankind" – is "the foundation" of its value, not the "measure of value" (Mongiovi and Petri 1999/2014; Ricardo 1817/2010). Riccardo (along with Mill, Jevons, and Marshall) adopted Adam Smith's bipartite understanding of value which states that utilities have two easily distinguished values: *value in use* and *value in exchange* (Ricardo 1817/2001; Mill and Laughlin 1885/2009; Jevons 1871/2013; Marshall 1890/1997; Smith 1776/1999). "Value in use" is defined through a commodity's application to the owner or its value to a person for *use* or in other words an expression of that objects "utility" (Ricardo 1817/2001). For example, if one bakes a loaf of bread at home, "use value" defines the value of that loaf to the baker to use or consume themselves (not exchange). "Value in exchange," on the other hand, defines the value of a commodity in an exchange or, in other words, the power that loaf commands in trade (Ricardo 1817/2001). The exchange value of the home bread baked will be defined by what it can be exchanged for (e.g., one loaf in exchange for one fish) or alternatively, the price it will demand (e.g., one loaf in exchange for three dollars). There is, however, no correlation between a commodities value in use and value in exchange. A good which is necessary to sustain life such as "water or air" has a high *use value* (i.e., without *using* it, we die), yet may be worth little in exchange (Ricardo 1817/2001). For example, a business person aiming to sell "air" will typically find, that despite their commodity being essential to life, "air" will not command a high value in exchange. On the other hand, commodities such as diamonds, while providing little value in use, can exchange for very high quantity of other goods or a high price (Ricardo 1817/2001; Smith 1776/1999; Jevons 1871/2013). In commercial markets, organizations may produce utilities for their own use though integrated supply chains, or alternatively and perhaps more frequently, undertake the production of goods for the purpose of exchange.

According to Ricardo, it is the quantity of labor embedded in a product that regulates the exchangeable value of that product (Ricardo 1817/2001; Zamagni 2005). In simple terms, this means “how much of one shall be given in exchange for another” (Ricardo 1817/2001). While the availability (or “scarcity”) of goods has a direct influence on the value of some products (e.g., “rare statues” or “scarce books”) for those goods that *can* be increased “by human industry,” it is the labor – or “human exertion” – embedded in that commodity, which determines exchange value (Ricardo 1817/2001; Zamagni 2005). For example, if building a 10-foot boat took 10 days and, all things being equal, it took 20 days to build a 20-foot boat, we could say that the 20-foot boat is worth twice that of the 10-foot boat in exchange. For according to Ricardo, “the exchangeable value of the commodity’s production would be in proportion to the labour” (including that labor invested in tools and equipment used) “bestowed on their production” (Ricardo 1817/2001). By this rationale, increasing the “quantity of labour” ingrained within a good “must augment the value of that commodity,” and every “diminution must lower it” (Ricardo 1817/2001). Ricardo’s explanation of exchange value is a complex calculation of the total cost, measured by labor time, involved in bringing a good “to market” (Ricardo 1817/2001). At the heart of his explanation, however, it is not utility or price that determines the exchange value of goods but labor (Reisman 1986/2011).

Mill, like Ricardo, asserts that it is through labor alone that “natural objects” are transformed into useful articles, or *utilities* (Ricardo 1817/2001; Mill 1848/2004). Mill’s early work, namely, within his book entitled *Utilitarianism*, took a hedonistic approach to the analysis of utility, one similar to that of his predecessor Bentham (Mill 1863/2009; Zamagni 2005). However, his later work in the *Principles of Political Economy* diverges from the central themes of pleasure and pain, adopting a stronger economic focus for the discussion of value and utility. Mill ascertained that the utility of a good – its ability to “satisfy a desire, or serve a purpose”– is found in its use value (Mill 1848/2004). Thereby in apparent agreeance with Marshall’s take on utility many years later, Mill indicates that “a person will give, to possess a thing” a price which correlates with their desire to acquire it. Roscher who published a book by the same name *Principles of Political Economy*, 60 years after Mill, distinguishes between utility and use-value, stating “Utility is a quality of things themselves, in relation, it is true, to human wants. Value in use is a quality imputed to them, the result of man’s thought, or of his view of them. Thus, for instance, in a beleagured [sic] city, the stores of food do not increase in utility, but their value in use does” (Roscher 1854/1882). Mill, however, does not make any such distinction, leading us to conclude that a good utility is measurable by its use value.

Mill similarly fails to expand on the analysis of use value or describe in depth its correlation (if any) with exchange value, other than to say that both the “Value in use" and "the utility of a thing . . . in the estimation of a purchaser, is the extreme limit of its exchange value" (Mill 1848/2004). Instead, Mill focuses on measuring the exchange value of goods. He states that in measuring the value of articles – articles that are not scarce and can be indefinitely multiplied – supply and demand (i.e., consumer demand) measures only the "perturbations" in the exchangeable value of a commodity because "on the average, commodities exchange at . . . their natural value," their cost of production (Mill 1848/2004). As labor, whether direct, indirect, or past, is "nearly the sole" necessary contributor to production costs – alongside "profits" (Mill 1848/2004) – the value of a commodity "depends principally on the quantity of labour required for their production" (Mill 1848/2004). Mills' concept of exchange value, therefore, correlates with Ricardo's. However, where Ricardo states it is the "quantity" of labor which determines the exchange value of a good, Mill acknowledges that it is not just the *quantity* of labor but the *value* of labor (typically measured by wages) that has been terminated in that commodity's production (Mill 1848/2004; Zamagni 2005). Any reduction in the value of labor invested in the production of a commodity (whether measured by time or wages) reduces the value of that product, namely, the power it commands over the market or the "quantity of other things which can be obtained in exchanged for it" (Mill 1848/2004). According to Mill, therefore, "If two things are made by the same quantity of labor, and that labor paid at the same rate, and if the wages of the laborer have to be advanced for the same space of time, and the nature of the employment does not require that there be a permanent difference in their rate of profit," then "these two things will, on the average, exchange for one another" (Mill 1848/2004). However, it cannot be said that these two things will exchange for each other at *any* given time. In order to illustrate this point, we will assign names to each of the "things," namely bread and milk. While today Ceteris Paribus, a loaf of bread may have the same exchange value as a carton of milk, if circumstances change (e.g., new machinery improves milk production rates), the value of labor embedded the milk will decrease, and so too will the product's exchange value. This means that the exchange value of milk has decreased and so too has its purchasing power in relation to all other goods (which have not undergone a reduction in exchange value) (Mill 1848/2004). In this circumstance, a loaf of bread does not have the same exchange value as a carton of milk, for milk's exchange value has decreased. Although it is unclear if Mill accounts for *all* labor costs in his explanation (e.g., labor embedded in machinery) as we will see below, such calculations are necessary for an accurate measure of exchange value (Mill 1848/2004). Adopting in part, a pragmatic approach to the analysis of the management process, Mill furthermore, acknowledges not only that the concept of value is relative (not absolute) and that the level of demand can contribute to the exchange value of a product. He also argues that without some form of profit (or some reward) embedded in "production costs," a capitalist can neither be inclined to invest in new capital nor continue to produce the commodity (Mill and Laughlin 1885/2009).

In considering the concept of production from a capitalist perspective, Mill examines the role labor plays in the development of a commodity. For, it is labor alone that can take a natural object (e.g., a seed) and through various motions transform that seed into another natural object (e.g., wheat), or into an “article fitted for some human use” (e.g., bread) (Mill 1848/2004). An understanding of value in a commercial society, wherein things are acquired by a “double exchange” (i.e., a purchase and a sale) is fundamental (Mill 1848/2004). Like Ricardo, Mill adopts a complex form of calculating the labor embedded in a commodity in order to calculate production costs, counting not only the direct labor (e.g., planting the seed) but the respective degrees of past labor (e.g., building the plough, tilling the ground) utilized in production of the commodity (Mill 1848/2004). For management, it is the effective coordination of input costs and output values that is of critical importance. Business objectives while varied and vast can typically be brought back to one central motive: to generate a “necessary price” in exchange for their goods (Mill 1848/2004). A price that includes the “wages of the labour” as well as “ordinary profit” (Mill 1848/2004; Zamagni 2005). Accurate calculation of production costs is therefore critical. Although organizations may produce a portion of goods for use (not exchange), it is through the portion produced for exchange that the firm must generate proceeds sufficient to cover the labor not only directly incurred through production but all the labor that came before, e.g., producing the machinery (Mill 1848/2004). It is the cumulative total of the labor costs embedded in producing a commodity therefore that dictate the cost of production or “natural value” of a product (Mill 1848/2004). Its exchange value, by contrast, is determined by the “quantity of other things for which” a good “will exchange,” or, to put it another way, the “ratio of the quantity of one commodity to the quantity of some other commodity exchanged for it” (Mill 1848/2004; Jevons 1871). What both Mill and Ricardo fail to account for in their analysis of exchange value, however, is the influence of demand. For, if there are “two parties and two quantities to every exchange, there must be two equations” (Jevons 1871).

Utility: Alfred Marshall and Neo-Classical Thought

While the earlier political economists, John Stuart Mill and David Ricardo, identified labor as the primary factor influencing the exchange value of goods, Marshall surmised that equally important is the influence consumer wants or desires exert on value: the consumer’s perceived *utility* of the good. Neo-Classical economics, therefore, depart from a labor-centered approach to measuring utility. Instead, the method adopted by Marshall acknowledges that while production costs are an important consideration in commercial transactions, they are not representative of utility. Rather it is the individuals “Desire or Want” for a commodity that is of greatest influence (Marshall 1890/1997). Although the first edition of Marshall’s book, *Principles of Economics*, associates the term “pleasure” with utility (a term strongly associated with earlier economists such as Bentham and afterwards Jevons), by his later, and famed eighth edition, he has deterred from using this expression. Instead, he appears to adopt the concept provided by Henry Sidgwick, who, in his book entitled *The Principles of Political Economy,* states that “the Utility of material things” means “their capacity to satisfy men’s needs and desires”

(Sidgwick 1883/1887; Marshall 1890/1997, 1890; Martinoia 2003). While the utility of a good cannot be measured directly, it *can* be measured indirectly through the price a person is willing to forgo to acquire it in exchange (Marshall 1890/1997). In other words, the measure of utility "is found in the price which a person is willing to pay for the fulfilment or satisfaction of" their "desire" (Marshall 1890/1997). The value (or utility) of any commodity to an individual is, hence, separate from though reflected in, the exchange price (Wright 2008). Organizational success does not, therefore, necessarily hinge on the firm's ability to produce utilities for a value equal or (preferably) less than the production costs. For in some situations, it is perhaps more important that management produce goods which have great enough utility (from the perspective of the consumer) that the price or monetary value a consumer is *willing* to forgo in exchange for acquiring the product (in order to satisfy a want or desire) is greater than the supply price.

Utility, according to Marshall is not an exact science. Like the tides, which can only be *estimated* in advance due to the relative unpredictability of weather, the wants of any one person, at any given time can only be *anticipated* ahead of time (Marshall 1890/1997). The inherently "various and uncertain" desires of individuals make attempts to anticipate human actions both "inexact and faulty" (Marshall 1890/1997). However, it is pertinent to acknowledge the reality of collective individualism. While each person is a free agent, free to make decisions as they see fit, as humans, they are at least in part creatures of habit (Krugman 2018). Such habit provides a degree of predictability which can be leveraged by management to increase demand, and encourage buyers to purchase more than was originally intended at the same price, or the same quantity at the higher price (Marshall 1890/1997). While we don't know exactly what an individual (e.g., John or Mary) is going to do, on average society *in general* will act in a predictable enough manner (Krugman 2018) that allows management to identify trends in consumer behavior when stimulated. For example, "every fall, however slight in the price of a commodity in general use, will, other things being equal, increase the total sales of it" (Marshall 1890/1997). People generally, therefore, "take advantages of opportunities," they "respond to incentives," they demand more when prices are low (Krugman 2018). Marshall's concept of utility provides management with an understanding of the important role demand plays in commercial transactions.

For humans, there is "a limit to each separate want" (Marshall 1890/1997). At some point, regardless of the incentives offered by management, an individual's desire for more of a good at a given time will cease. For as Jevons succinctly states "All our appetites are capable of *satisfaction* or *satiety* sooner or later, in fact, both these words mean, etymologically, that we have had *enough*, so that more is of no use to us" (Jevons 1871). The utility of a "thing" to any person can be measured indirectly by the price (i.e., "demand price") a person is willing to pay in order to satisfy their want or desire (Marshall 1890/1997). It cannot, however, be assumed that the same person will be willing to pay the same price for the same "thing" under any given conditions. According to the theory of marginal utility – i.e., *Grenznutzen*, a term coined by Friedrich Von Wieser (Ekelund 1970) – the desire for a commodity decreases as the "quantity already in use or possession" increases (Jevons 1871).

Consumer demand does not typically arise from the desire to purchase "aggregate quantities" of an item, but rather, "increments of quantities" (Marshall 1890/1997). Commercially, the "marginal" increments of a good, which a consumer is only just inclined to buy (i.e., their marginal purchase) are balanced against the perceived utility of that marginal purchase, i.e., its marginal utility (Marshall 1890/1997). If the consumer's want or desire for a product diminishes with every quantity they already possess, it follows therefore that the price that consumer is willing to exchange in order to *increment their quantity*, similarly decreases with every quantity already consumed. In other words, all things being equal, "the marginal utility of a thing" "diminishes steadily with every increase in" the consumers "supply of it" (Marshall 1890/1997). In order to illustrate this properly, we can consider the relationship between diminishing utility and price with reference to the purchase of work boots. How much a person is willing to pay in order to purchase work boots (the *demand price*) will likely be influenced by their current status (as boot owners). Assuming they don't currently own a set of boots, they might be happy to pay a few hundred dollars to get a good set, ones with ankle protection, comfort soles, and guaranteed durability. If they purchase their first set work boots how much would they be willing to pay to buy a second set of boots? They would probably pay far less for the second set then the first and they would likely pay even less again, to procure a third set. The law of diminishing marginal utility suggests that, all things being equal, a person will be willing to pay less for each successive item (i.e., work boots). In other words, the marginal demand price for the work boots diminishes (Marshall 1890/1997).

Utility does not exist in isolation. Instead, it is influenced by price. The relationship between price and utility is founded on various situational factors: (a) the elasticity of demand, (b) the utility of a commodity, and (c) the utility of money (Marshall 1890/1997, 1923/1929). While we have previously examined marginal utility – and how a person's want for a product decreases with each increase in the quantity in their possession – we have not yet examined the role price plays in the responsiveness of demand. Although Marshall cannot take credit for introducing the concept of price elasticity – for other including Mill had discussed it before him (Mill 1848/2004) – he was the first to "popularize" the analytical tool (Groenewegen 2007; Marshall 1890/1997). Price elasticity affects the consumer's response to changes in product pricing, when all else is equal. For a manager, wondering how to increase sales and profits – or what impact price changes will have on the consumer's demand – calculating the price elasticity of demand provides insight into a range of outcomes. For example, if the marginal demand for a good falls slowly, the price a person is willing to pay to increment their supply will similarly fall slowly. Thus, a small decrease in price will cause a comparatively large increase in purchases; in this case, the demand is *elastic* (Marshall 1890/1997). However, if marginal demand decreases quickly (the demand is *inelastic*), a small decrease in price will result in a comparatively small increase in purchases (Marshall 1890/1997). Conversely, small price *rises* where demand is elastic will cause a proportionally larger decrease in sales (which will decrease earnings) while in inelastic markets, a small price increase may only cause a small decrease in sales, and thus an overall increase in revenue. While these calculations appear to offer insight into the demand/price relationship, elasticity is ultimately the measure of one variable factor against another variable factor, looking at how one thing changes in response to another. In commercial markets, there are various other factors at play which influence the elasticity of demand. The availability of suitable alternatives, the commodity's difficulty in attainment (e.g., is it a rare item or mass produced), and the products necessity to life (e.g., is it medical assistance or a third handbag?) all influence demand and may require consideration in the calculation of price elasticity (Marshall 1890/1997). Nevertheless, understanding the "price elasticity of demand" equips management with a knowledge of how changes in price will affect demand in commercial markets when all else is equal.

Price, however, whether it be increased or decreased, when paid with money will be considered high or low by different people depending on their status of wealth. For, according to Marshall, "the effective value of money to each individual depends partly on the nature of" their "wants" (Marshall 1923/1929). Money has two purposes. Firstly to act as a "*medium of exchange,*" a "material thing" that can be transferred from person to person and with a value which "can be read at a glance" (Marshall 1923/1929) and secondly, as a "*standard of value,*" to "indicate the amount of general purchasing power" (Marshall 1923/1929). All things being equal, the less money a person has, the greater the utility a product must have in order to motivate a purchase. For, the greater utility *money* has to a person, the *less* they are willing (or able) to pay in order to satisfy their wants. Money has greater utility to those who have little to spare, for the more money one spends, the less money they retain and the less purchasing power remains under their control (Marshall 1890/1997). Comparatively, the more money a person has, the less utility *money* has to that person, and therefore, the higher the price they are willing to pay to satisfy their desire (Marshall 1890/1997). While utility can only be measured through the price an individual purchaser is willing to pay (Marshall 1890/1997), the predictable nature of groups of people allows economists to anticipate actions of the larger society. While individuals may act, want, and desire differently, when viewed collectively, their peculiarities become less important. For, according to Marshall, "in large markets, then – where rich and poor, old and young, men and women, persons of all varieties of tastes, temperaments and occupations are mingled together – the peculiarities in the wants of individuals will compensate one another in a comparatively regular graduation of total demand" (Marshall 1890/1997). As such, the demand for a product, all things being equal, can be expected to increase with a "fall in price" and diminish with a "rise in price" (Marshall 1890/1997).

Altering the price of goods is not the only method of enhancing demand. Improving a goods perceived utility may see people "buy more of it than" they "would before at the same price" or "buy as much of it as before at a higher price" (Marshall 1890/1997). When "voluntarily" exchanging "one thing for another," people typically expect "the latter to be of greater service" than "the former," or in other words, the value gained by what is *received* to be greater than that which is "given up" (Marshall 1919). Elevations in utility can be achieved through increasing the "consumer surplus" generated through a sale. Consumer surplus is the difference between what the consumer is *willing* to pay for an item and the price they *actually* pay (Marshall 1890/1997). From the consumers perspective, their surplus satisfaction stems from the difference between the satisfaction they garner through procuring a commodity and what they forgo in paying its price. Consumer surplus can be elevated in three fundamental ways: reducing cost, increasing utility, or some combination thereof. Firstly, this can be achieved, ceteris paribus, by management reducing the good's price, i.e., the price consumers *actually* pay for an item. As discussed earlier, price is central to demand. In many circumstances, the real "money costs of production" or "expenses of production" constitute the price floor under which a firm should not sell. As such, this price floor directly influences the consumer's demand for the good (Marshall 1890/1997). Reducing the expenses of production, therefore, all other things being equal, allows the firm to reduce the sale price of their goods, which in turn (if the law of demand prevails) increases the demand for their product (Marshall 1890/1997). While supply prices provide a price floor, they have no influence on the monetary amount a firm can expect to receive in exchange for their products. On the contrary, the consumer's perceived value of the product places a "roof" over the upper limit of the price at which the firm can reasonably expect to sell their goods. By increasing the consumer's perceived benefit of a product – the consumers "desire" and "want" for a good (the goods utility) – at a greater rate than which it costs to do so, the firm may in fact increase the surplus satisfaction gained through acquiring the product therefore, similarly increasing demand and ultimately profits (Marshall 1890/1997).

Is it necessary that the total "supply price" be offset at the point of sale? According to Marshall, the *total cost* of production must be paid in the long term. However, distinguishing between prime and supplementary costs allows management to ascertain which costs must be covered *immediately* by the sale price (short term) and those which can be recompensed over a *longer period* (long term) (Marshall 1890/1997). While business pricing should include an "allowance" for "earnings" (i.e., profits), distinguishing between prime and supplementary costs can be beneficial to management when aiming to determine the absolute "lowest price at which it will be worth . . . while to accept an order," most particularly in economic downturns or at times when competition is high (Marshall 1890/1997, 1919). Defined by their contribution to the development of a commodity, *prime* costs are those expenses that are directly incurred through the production of a commodity (i.e., materials and labor), while charges essential to a broader business operation such as overhead costs and the wages of managerial staff (indirect costs) are known as *supplementary or "general" costs* (Marshall 1890/1997, 1919). Drawing from Adam Smith's famous pin-maker example to illustrate the distinction, the fabrication of pins requires labor and equipment to undertake the sequential stages of production. These stages include the drawing out wire, straightening the wire, cutting the wire, creating a point in the wire, and so forth (Smith 1776/1999). The cost of the labor (paid per hour or per pin) and wire used in the production of the pins are *prime costs*. While the cost of (for example) salaried staff responsible for ensuring sufficient qualities and quantities of labor and wire are present each day, and the proportional cost of the equipment used by the workers are considered *supplementary* costs. Although it may be simpler to calculate the prime costs embedded in the production of a good, it is vital for business sustainability that supplementary be determined and subsequently recompensed completely in the "long run" (Marshall 1890/1997). For, as Marshall states "the price at which it is just worth" "while to produce" commodities, even when trade is slack, is in practice generally a good deal above this prime cost" (Marshall 1890/1997).

A major factor in Marshall's theory of value is the role time plays in commercial markets. The passage of time brings with it various fundamental difficulties that influence demand prices, and by extension sales and consumption. Unavoidable changes in the market are evident in economics in five key areas: purchasing power, general prosperity, population shifts, the ability to delay purchases, and changing predilections (Marshall 1890/1997). The purchasing power of money – the measure of nominal value – varies over time whether in response to or in anticipation of certain events (e.g., inflation). This means that the quantity of goods that money can buy changes. While $3 may have purchased a loaf of bread last week, a change in the value of money (e.g., inflation) may see that $3 command enough power to purchase only half a loaf this week. Time can also change the general prosperity (and thus total purchasing power) of a nation. A decline in general purchasing power sees a correlative decline in prices, consumption and business profits (Marshall 1890/1997). For the less money people have under their command, the greater the utility of money to those people and the less they are willing or able to spend (Marshall 1890/1997). When consumers do buy, their ability to delay purchasing items can have a notable influence on consumption, and thus business profits (Marshall 1890/1997). When prices are high or money tight, there are many purchases that can be put off for a period of time, or until consumers are unable to delay the purchase any longer. Clothes, for example, often have a "great deal of reserve wear" (Marshall 1890/1997) meaning they can still be worn long after one would have ordinarily purchased replacements.

In acknowledging the influence of both supply and demand, Marshall adopted a characteristically pragmatic stance on value, stating that "whether variations in demand, or variations in cost of production, exert the stronger influences on value under competitive conditions in a given time, depends mainly on *the ease with which supply can alter its pace*" (Marshall 1919).

Changes in population, "fashions, and taste" – as well as "the discovery or improvement or cheapening" of goods (including substitute items) – are typically not of immediate concern to a manager, as there is often a lapse of time between the change occurring and its effect. However, such developments can have a detrimental effect on business revenue if not properly managed over the long term. For example,

> . . . when a new tramway or suburban railway is opened, even those who live near the line do not get into the habit of making the most of its assistance at once; and a good deal more time elapses before many of those whose places of business are near one end of the line change their homes so as to live near the other end. Again, when petroleum first became plentiful few people were ready to use it freely; gradually petroleum and petroleum lamps have become familiar to all classes of society.

When most of us think of "demand" we tend to think of "direct" demand. However, consumer demand can be satisfied through direct and indirect means (Marshall 1890/1997). When a product satisfies a consumer's wants directly, that product is the consumer's *direct* demand. If a new brick house were to satisfy the consumer's needs, it is the house which is considered the consumer's direct demand. Satisfying the consumer's direct demand, however, is not possible without various factors of production each doing their part to produce the finished product. The demand for these factors of production, such as labor, tools, and equipment, is "*indirect"* and "*derived* from the direct demand" (Marshall 1890/1997). All direct demands are essentially broken up into a range of derived demands which are necessary for the production of the finished product. While the demand for each factor of production (e.g., the bricklayers) is indirect or derived (Marshall 1890/1997) when several demands are present "jointly" (e.g., labor, tools, and equipment), there is a "joint demand" for serviceable products (Marshall 1890/1997). In other words, there exists a "joint demand" for all the goods and services that combine to produce the ultimate product, which is the consumer's direct demand. Understanding the fundamental concepts of direct, indirect, derived, and joint demand gives greater significance to the relationships between different factors of supply and their corresponding influence on demand. Appropriate management of the costs of each factor of production is necessary for equilibrium to be reached between the supply price and demand price. For, as Marshall shows, each factor of production is connected, directly or indirectly, to a goods cost of production (Marshall 1890/1997). Hence, fluctuations in those costs (whether increasing or decreasing) will influence proportionally the value of the ultimate product. Without an understanding of the complex and shifting relationship of supply and demand, any managerial endeavor is ultimately doomed to fail.

Conclusion

The Classical to Neo-Classical eras were marked by a transformation in the theory of value. Considered to be the "leading economist" "in the world" at a time, Marshall's theory of value challenged the findings of orthodox economics, transforming the way value is defined and measured (Davenport 1935/1965). Rather than looking toward the relative labor costs and expenses embedded in the production of a commodity to define an exchange value, a feature characteristic of classical economists, Marshall acknowledged the influence of utility. His pragmatic approach to understanding value coincides with Jevons, who acknowledged that "value depends entirely upon utility" (Jevons 1871), or in other words, without utility, a product has no value in use or exchange. Utility is hence central to demand, and it is only upon acknowledging the influence of both supply *and* demand that an accurate understanding of value is attained (Colander 2000; Davenport 1935/1965). While Marshall transformed economic thought, he did not "revolutionize" his field. Economics, like industrial society, does not evolve in "kind" but rather in "degree"; therefore, Marshall's theory of value was "merely one stage of evolution" (Marshall, 1890/

1997, 1919). Marshall's contribution to management and economic history, consequently, cannot be fully appreciated without first an understating of how his Neo-Classical thoughts and ideas evolved from his Classical predecessors.

The Classical Economic period within this chapter is principally circumscribed by Bentham, Mill, and Ricardo. While Smith laid the foundations of political economy, it was Bentham that emphasized the contribution of utility. Bentham's founding concept of utility was morally inclined, correlating conformance with the ability to bring the greatest happiness to the greatest number of people. Bentham observed that a person's actions will typically be motivated by which outcome will increase their "pleasure" or minimize their "pain" (Bentham 1781/2000). While prima facie, Bentham's hedonistic understanding of utility seems incompatible with later economic explanations centered on *use* or *wants*, the ethical influences of people cannot be excluded from economic studies. For according to Marshall, "ethical forces" are necessary considerations in the science of economics, and past attempts at "excluding ethical considerations from economic decisions" have "not been successful" (Marshall 1890/1997). While Mill's early work reflected Bentham's ideals, in his later book *Principles of Political Economy*, as with Riccardo's *On the Principles of Political Economy and Taxation*, utility is defined simply as something useful. Within these later classical teachings of Ricardo and Mill, value was measured in exchange and comprised principally of the total labor and expenses embedded in a goods materialization (Mill 1848/2004; Ricardo 1817/2001).

Despite the use value or utility of a good being "absolutely essential" to exchange value, both Riccardo and Mill focused primarily on examining the supply side of the equation, failing to account for the role demand plays in trade (Ricardo 1817/2001; Mill 1848/2004). Their apparent exclusion of any detailed examination of the influence exerted by demand overlooks what Marshall in hindsight, regarded as "the more urgent" and the more difficult elements of economic science (Reisman 1986/2011). It was Ricardo's apparent belief that use value "cannot be measured" for "it is differently estimated by different persons" (Ricardo 1817/2010). However, according to Jevons "Ricardo 'regarded the natural laws of variation of utility as too obvious to require detailed explanation'" (Reisman 1986/2011). Adopting a "labour-embodied" approach, "value" was considered to be a measure of the total costs involved in producing a commodity and *not* "as a measure of the "intensity" of demand for the product" (Myint 1948). Although Ricardo acknowledges that demand *influences* price, he asserts that it is ultimately the cost of production that *defines* price. He states "supply follows close at" demands "heels" "and soon takes the power of regulating price," and "in regulating" price, price "is determined by cost of production" (Ricardo 1887). Mill, however, acknowledged that in a commercial society, goods must command a price in exchange which is sufficient not only to recompense the costs of production but furthermore, generate a rate of "ordinary profit" (Mill 1848/2004; Zamagni 2005). While Ricardo is credited as having "systemised the whole" – outlining theories related to various aspects of economics including value – Mill is recognized to have "expounded" the economic "branch of knowledge" by refining theoretical concepts (Jevons 1871).

Marshall's work attempts to synthesize these "old doctrines" with "new work" in order to present a "modern version" of economics (Marshall 1890/1997). Marshall's texts, notably *The Principles of Economics*, not only presents a more modern take on economics but does so in plain English, rendering his work "intelligible to the general public" (Colander 2000). For while Marshall (alike most economists) used mathematics to *understand* economics, he used English to *explain* economics (Krugman 2018; Marshall 1890/1997). Marshall's concept of utility shifted the way we think about a products value in exchange. By factoring in the consumers desire or want for the good – a demand side factor – the exchange value of a product became measurable (indirectly) by the price a consumer was willing to forgo in order to acquire the commodity (Marshall 1890/1997). Marshall's approach to understanding the theory of value diverges from the classically cost-focused analysis, measuring the labor and expenses involved in bringing the good to market, to emphasize the relationship between supply *and* demand. It was his apparent dedication to ensuring cohesion between "actual problems" and "theoretical problems" that reinforced his findings, and in part, contributed to his work, specifically *The Principles of Economics,* remaining relevant a century after its publication (Groenewegen 2007; Persky 1999; Colander 2000).

Cross-References

► Economic Foundations: Adam Smith and the Classical School of Economics
► The Marxist Opposition to Capitalism and Business

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Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management

17

Bradley Bowden

Contents

Abstract

A seminal feature of the closing decades of the twentieth century was the emergence of new postmodernist traditions opposed to industrial capitalism and its associated managerial systems. Unlike Marxism, these new traditions are idealist in orientation, giving primacy to individual identity. In exploring the origins of these postmodernist traditions, this chapter argues that their epistemological roots are located within German philosophic idealism and English Romanticism. Like subsequent postmodernist canon, these traditions shared a hostility to industrialization, an emphasis on consciousness and will, and a belief that humanity's well-being rests on a harmonious relationship with nature. German idealism and English Romanticism also shared a distrust of empiricism or positivism, believing instead that evidence and knowledge are highly subjective. In assessing the influence of these traditions, this chapter suggests that their key assumptions – and of the postmodernist traditions that they helped inspire – are misguided. The pre-industrial, bucolic existence that they favored was a world of misery, filth, and illiteracy. An emphasis on consciousness and will frequently led to authoritarian conclusions. While rejecting positivist epistemological principles, this chapter also argues that the relativist assumptions of idealism,

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Romanticism, and postmodernism are in error. An objective world amenable to experimentation and inquiry does exist.

Keywords

Postmodernism · Epistemology · Philosophic idealism · Romanticism · Capitalism

The dominant narrative in the last quarter millennia of human history has been associated with a model of industrialization and urbanization that, once perfected in the North Atlantic littoral in the nineteenth century, gradually encompassed the entire globe. Industrial and financial capitalism has been the most constant, although not the universal, handmaiden of this advance. Even where capitalist, free-market models have been eschewed in greater or lesser degree – the Soviet Union, the People's Republic of China, North Korea, and Peronist Argentina – the inherent benefits of industrialization have been embraced rather than rejected. In all industrializing societies, capitalist or otherwise, the forms of management first pioneered in the factories of northern England in the late eighteenth and early nineteenth centuries have also been adopted with little if any hesitation. Everywhere, employment came under the direction of what Pollard (1965: 6–7) referred to as a "new class of managers," able to meld revolutionary technologies with new principles of work. Intellectually and culturally, the entrenchment of this managerial elite was universally associated with an embrace of science, rationality, and a belief in economic progress as an ultimate good. Where mass opposition to new societal and managerial models emerged, it was typically rooted in discontent with the distribution of the fruits of the new order. Marx and Engels, for example, the most vociferous opponents of industrial capitalism, readily endorsed the benefits of industrialization, declaring (1848/1951: 37) in their *The Communist Manifesto* that capitalism has produced "more colossal productive forces than have all preceding generations together." If, Marx (1853/1951: 323) later declared, entire peoples had to be dragged toward industrialization and "progress" through "blood and dirt, through misery and degradation," then so be it.

If, during the twentieth century, it was Marxism that provided inspiration for capitalism's most significant oppositional movements, it is also true that the intellectual demise of Marxism since the collapse of the Soviet Union has seen the emergence of very different oppositional forms; movements opposed to not just capitalism but also the industrial and managerial model which capitalism long fostered. Postmodernism in its various hues informs many of these new oppositional currents, Jacques Derrida (1993/2006: 106) declaring that "never have violence, inequality, exclusion, famine, and thus economic oppression affected so many human beings in the history of the earth and humanity." In Derrida's (1998: 2) opinion, the root cause of such perceived calamities is not simply capitalism but rather the whole canon of "Western morality," "Western philosophy," and "ethnocentric" understandings of language and thought. The late Hayden White (1973a: 1–2), arguably the most influential postmodernist thinker to emerge in the Anglosphere, similarly dismissed "the presumed superiority of modern, industrial society" as ethnocentric "Western prejudice." In such narratives, the central focus is not the matters that long concerned both capitalist managers and their Marxist foes – wealth, productivity, and employment – but rather the essence of the human spirit and intellectual liberation. This means, White (1998) explained, that research should be inspirational (rather than necessarily factual), focusing on "felt needs" that "are ultimately personal." Elsewhere, environmentalists argue that industrialization has not only defiled nature, it has disrupted the material and spiritual connections between humans and the natural world. In the view of a significant number (Lovelock 1995, 2009; Margulis 1998; Harding 2006), all living organisms exist in a myriad of interconnected ways with a natural world best perceived as living entity. Defile nature, and humanity suffers terrible consequences.

Arguably, the popular resonance of post-Marxist critiques of capitalism and management in large part reflects the fact that each draws on common traditions of thought that – although long condemned to minority status within our culture – have proved pervasive and enduring. In the Anglosphere, the roots of these oppositional traditions are most obvious in the English Romantic tradition (Blake, Coleridge, Wordsworth, Percy and Mary Shelley, Bryon, Carlyle). Central to this Romantic tradition is belief in what William Wordsworth (1802/1935: 296) described as "eternal Nature, and the great moving spirit of things" that connects humanity to the wellsprings of its spiritual existence. Material "existence," Samuel Coleridge (1817a: 47, 257) explained, is merely an outward manifestation of an "essence" that pervades all things. Without exception, those located within the Romantic tradition perceived industrialization not as a source of wealth and advancement but rather as an existential threat to humanity's spiritual survival. It was, William Blake (1808/1969: 481) famously observed in his epic poem on *Milton*, industrialization that caused increasing numbers to spend their lives among "dark Satanic Mills" rather than "England's green and pleasant land." For Lord Byron (1816a/1994: 99), as he declared in his *Song for the Luddites*, factory workers were justified in exchanging "the shuttle . . . for the sword" in defense of their traditional artisan existence. The damaging effects of modernity are also associated in Romantic canon with inhuman monstrosities, the most vivid of which emerged from a night of storytelling amid the storms of Lake Geneva's foreshore in June 1816. From these lurid tales emerged monsters who have since occupied a permanent place in the Western imagination. The *vampyre* (vampire) owes its modern existence to Lord Byron (1816b/1817) and, more particularly, his physician and fellow author, John Polidori (1819). A creature of apparent wealth and sophistication at home in London's balls and dinner parties, Polidori's vampyre – like England's growing industrial world – feeds on the innocent blood of rural youth. If the vampyre/vampire – subsequently made famous by Bram Stoker's much later imitation – is evil lurking in civilized form, the other famed creation that emerged from the June 1816 night of storytelling, Mary Shelley's *Frankenstein*, is a none too subtle warning against the beguiling promises of science with their supposed capacity to "command the thunder of heaven" and "penetrate into the recesses of nature" (1818/2005: 49).

As the Industrial Revolution gathered pace, the concerns of the English Romantics with spiritual essence, and a spiritually infused nature, were shared by the leading exponents of German idealist philosophy, most notably Johann Fichte, Friedrich Schelling, and Arthur Schopenhauer. Like the English Romantics, this philosophic strand believed, as Fichte (1799/1910: 11) declared, that "Nature is one connected whole," a whole in which one cannot "move a single grain of sand from its place, without thereby … changing something throughout all parts of the immeasurable whole." Even more than the English Romantics, German idealism was concerned with "inner being," or what Martin Heidegger (1927/1962) subsequently referred to as *Dasein*, understandings that were to profoundly influence Jacques Derrida and, through him, the post-structuralist strand of postmodernist thought. Unlike materialist-oriented thinkers (Adam Smith, Karl Marx, etc.), with their emphasis on the mechanics of production, German idealism made individual will the central force in human affairs, Schopenhauer (1859/1969: 272) declaring, "the will is not only free, but even almighty; from it comes not only its action, but also its world." Like the English Romantics, and the postmodernist schools of thought that they helped inspire, German idealist philosophers also held that all knowledge rested, as Fichte (1799/1910: 91) explained, on subjective "representation" rather than some objectively verifiable reality. Significantly, the commonalities apparent in English Romanticism and German idealism were not simply coincidental. Instead, they were the product of both a common examination of similar problems and a cross-fertilization of ideas, Coleridge (1817b: 103–104) declaring Friedrich Schelling to be not only "the founder of philosophy of nature" but also the "great and original genius" responsible for "the most important victories" in understanding the human spirit. In Schelling's (1799a / 2004: 196) schema, Nature was no mere collection of inanimate objects. Rather, it was an active force; a force comprised of a myriad of "actants" that gave Nature its essential, active essence.

In exploring the ways in which German idealist philosophy and the English Romantic tradition have informed critiques of management and industrial capitalism, this chapter argues two main theses. First, as this introduction has indicated, we argue that post-Marxist critiques of capitalism and management – most particularly postmodernism in all its variety – cannot be properly understood unless one comprehends their intellectual roots in German idealism and English Romantic thought. Second, it is argued that, although German idealism and English Romanticism can be seen as a corrective to a crude materialist emphasis on mechanical aspects of production (capital costs, variable costs, etc.), neither provides a useful basis for a critical understanding of the modern industrial world. The belief that nature has a spiritual essence that pervades all existence proved a philosophic and scientific dead end. For if one believes that nature has a spiritual essence – as did Coleridge, Wordsworth, Fichte, Schelling, and Georg Hegel – then one must necessarily abandon explanations drawn from the physical sciences, Schelling (1799a/2004: 201) condemning "empirical science" as "a mongrel idea" and "physics" as "nothing but a collection of facts." In the hands of Georg Hegel, a belief in all-pervasive historical spirit in nature also led in distinctly totalitarian directions, Hegel (1837/1956: 29–30) declaring that "World-Historical individuals" were those who unwittingly fulfilled the predestined purpose of the world's "inner Spirit." Although in postmodernist canon an emphasis on human consciousness and will is invariably linked to resistance to established power structures – Foucault (1976/1978: 95–96) suggesting that wherever power exists we also find alternative "discourses" that provide "swarm points" for resistance – this philosophical orientation can also lead to authoritarian conclusions. It would appear more than coincidental that both German idealism and English Romanticism culminated in the mid-nineteenth century in the idea that history is driven by "great men" and unadulterated power. For according to Thomas Carlyle (1840/2013: 21, 24), "the history of what man has accomplished in this world, is at bottom the history of Great Men," men whom "we ought to treat . . . with an obedience that knows no bounds." In German idealist philosophy, Friedrich Nietzsche (1886/1989: 202) similarly argued in his *Beyond Good and Evil* that "the *fundamental principle of society* . . . is *essentially* appropriation, injury, overpowering of what is alien and weaker; suppression, hardness [emphasis in original]." Certainly, it is a mistake to believe that the English Romantics were, any more than their German idealist counterparts, universal proponents of democracy and the interests of common humanity. In the wake of the Peterloo Massacre of 1819, brought about by a cavalry charge into unarmed protestors seeking an extended franchise, Lord Byron (1820a/2015: 353) wrote that he would have "happily passed" his "sword stick" through the leader of the protest and "then thrown myself on my Peers." Percy Shelley (1820/1920: 61) also declared the defense of private property to be the key "foundation" of political order, while Wordsworth's (1821a/1978: 26) response to campaigns for popular democracy was to call for an arming of "the Yeomanry" and a curbing of "the Press by vigilant prosecutions."

It is also the argument of this chapter that the theoretical relativism of both German idealism and English Romanticism with regard to evidence – which has become a defining feature of postmodernism in its various hues – is also misguided. For as the English historian, E.H. Carr (1961/2001: 21), noted: "It does not follow that, because a mountain appears to take on different shapes from different angles of vision, it has objectively either no shape at all or an infinity of shapes." To the extent that a philosophic idealist approach to evidence has utility, it is restricted to discussions of power and the realm of ideas (language, culture, epistemology), realms where postmodernism is now well established. Conversely, it has little utility in matters relating to economics and the mechanics of production, realms where postmodernism is conspicuous largely through absence.

The remainder of this chapter comprises two (lengthy) sections. In the first, we discuss understandings of nature, consciousness, and being in German idealism and English Romantic thought and the ways in which these traditions have influenced critiques of both capitalism and management. The second section considers the Romantic and idealist understandings of evidence and knowledge, understandings that currently inform postmodernist epistemologies. In this section, we will argue that although these schools were correct in believing that we perceive the world through intellectual representations, they were in error in typically denying the objective basis for such representations.

Nature, Being, Consciousness, and Will

Postmodernism as an idealist philosophy – or, to be more exact, a loosely interconnected collection of idealist philosophies – owes an immeasurable debt to German idealist thought. Derrida's (1967/2001: 60) core concept of "trace" – which suggests that past expressions of existence and being can be deconstructed from written texts – was drawn from Martin Heidegger and the earlier work of the French philosopher, Emmanuel Levinas, Derrida (1967/2001: 101) declaring the power of the latter's thoughts was such as to "make us tremble." In turn, Levinas (1957/1987: 103), who suggested in his *Meaning and Sense* that in written language a "trace" is like a face behind a mask in that "a mask presupposes a face," drew his ideas from the German idealist philosopher, Edmund Husserl, Levinas completing his PhD on Husserl's philosophy in 1930. Husserl's ideas were also seminal to Heidegger's thinking, the latter advising in the opening pages of his key work, *Being and Time*, that: "The following investigation would not have been possible if the ground had not been prepared by Edmund Husserl." According to Husserl (1913/1983: 35, 149–150), empirical research – with its emphasis on science and rationality – was a source of grave error, error caused by an unwillingness to recognize that "pure consciousness" was the true wellspring of human endeavors. In turn, both Husserl and Heidegger's ideas were informed by the philosophy of Arthur Schopenhauer, who declared in his *The World as Will and Representation* that all activity – whether human or natural – is guided by its inner "being or true essence," an essence that can only be ascertained through philosophical reflection, not empirical investigation. As a series of lectures given by Heidegger (1975/1985) clear, Heidegger's ideas were also profoundly influenced by Schelling's (1809/2006) *Philosophical Investigations into the Essence of Human Freedom*. In this, Schelling (1809/2006: 33) argued for the "complete freedom" of individual consciousness and will "above and outside of all nature." All of these interwoven strands of thought owe, moreover, a considerable debt to Johann Fichte, arguably the true founder of modern German idealist philosophy. For Fichte, as with the various strands of idealist philosophy that he helped spawn in greater or lesser degree, nothing is more important than the inner essence of being that pervades both individual consciousness and common bonds of existence. It being the case, Fichte (1799/1910: 7) argued that "every existence" signals within it "another existence," ideas that prefigure Derrida's (1967/2001: 254–255) central concept of *déférence* (difference), where the presence of one form of existence always exists alongside an absent existence.

The Foucauldian strand of postmodernism is also deeply rooted in German idealist thought. As Hayden White (1973b: 50) indicated in one of the first, and most insightful, studies of Foucault's work within the Anglosphere, Foucault's ideas represent "a continuation of a tradition . . . which originates in Romanticism and which was taken up . . . by Nietzsche in the last quarter of the nineteenth century." Like Nietzsche, who declared that through acts of will it is always possible to break the "invisible spell" of societal mores (Nietzsche 1886/1989: 31, 27), Foucault (1966/1994: xx) believed that we can break free of the "fundamental codes" of "culture" through acts of will. Like Nietzsche (1889a/1990) – who argued in his

Twilight of the Idols that all causal explanations (morality, economics, religion) should be rejected as "false causality," it being the case that only the exercise of will should guide behavior and explanations – Foucault rejected causal explanations (White 1973b). By leaving "causes to one side," Foucault (1966/1994: xiv, xviii) declared in *The Order of Things*, one is able to better focus on "transformations" that "shatter" and "destroy" existing understandings. In terms of intellectual heritage, this Foucauldian/Nietzschean emphasis on consciousness and will as transformative forces – and the commensurate dismissal of other factors – owes a clear debt to Schopenhauer's (1859/1969) *The World as Will and Representation*. Like Foucault and Nietzsche, Schopenhauer (1859/1969: 67–68) dismissed "the application of the law of causality" to human affairs. For the problem with the "law of causality," Schopenhauer (1859/1969: 99, 275) concluded that it can "never get at the inner nature of things," the inner sanctum where one finds "the will-in-itself, the inner content, the essence of the world." Nietzsche – and through him Foucault and the wider bodies of Foucauldian thought – also owes a debt to Schelling, who first identified human freedom with the ability to *choose* evil. Whereas previous philosophers had seen evil as something to be overcome, Schelling (1809/2006: 23–24) identified the capacity for *both* good and evil as the "most profound" issue "in the entire doctrine of freedom." Given that acts of will are the expression of human essence, Schelling (1809/2006: 36, 52) logically concluded that whoever lacks the will "to do evil, is also not fit for good." It was this total and utter emphasis on individual will and freedom, and its capacity to move beyond all imposed constraints, which became the defining hallmark of Nietzschean philosophy. When, therefore, Nietzsche (1883/1970: 299) indicated in *Thus Spoke Zarathustra* that "evil is man's best strength" and that "Man must grow better and more evil," he was asserting freedom of individuality beyond the constraints of the social world, rather than the evil per se.

Within the considerable body of postmodernist thought in business and management studies – and more particularly business and management history – ideas that have their roots in German idealism (Nietzsche, Heidegger, Husserl, Schopenhauer, Schelling) are today almost de rigueur. In *A New History of Management*, for example, the authors (Cummings et al. 2017: 40–41, 332) declare their intention to write a Foucauldian-inspired "counter-history" that will "overturn accepted continuities and discontinuities," thereby bringing about a "blurring of the boundaries with regard to what management could be." This "unsettling," we are informed, will "help us question and see alternatives" as to "how we live and evaluate our lives" (Cummings et al. 2017: 333). A new questioning can, in short, overturn material realities imposed by economics, occupational status, and educational attainment. Elsewhere, we are advised (Clark and Rowlinson 2004: 331, 341) that a "historic turn" in the way we research organizational studies can challenge the "efficiency principle" that shapes businesses' behavior, opening up in lieu "a view of history as flux, with continued crises, conflicts and dilemmas." Similarly, leading figures in management and organizational history (Booth et al. 2009: 89) inform us of the utility of "consciously fictive counterfactual narratives" in undermining existing "perceptions, beliefs, knowledge, values and so on." In like fashion an article co-authored by Roy Suddaby, the PDW Chair of the Management History Division, entitled “Craft, magic and the re-enchantment of the world,” embraces a Nietzschean emphasis on will and “arationality,” whereby “rhetoric” becomes “magical because it initiates action” (Suddaby et al. 2017: 294).

If there are clear linkages between concepts rooted in German idealist philosophy and current understandings in management history, it is also the case that the English Romantic tradition has had a powerful resonance. Although the youthful radicalism of many of the Romantic poets, most particularly Coleridge and Wordsworth, soon gave way to Tory conservatism, they nevertheless continued to underpin – as the great English labor historian, E.P. Thompson (1963: 945) remarked – “a resistance movement” opposed to the new industrial capitalism and “the enunciation of the Acquisitive Man.” Like German idealist philosophers, those located within the Romantic tradition were concerned with fostering feeling, emotion, and spiritual being, not rationality and empirical understanding. As Coleridge (1817a: 47) put it, the purpose of literature should not be one of description but rather a spiritually uplifting journey of discovery into human essence “in its primary signification.” For Wordsworth (1802/1935: 295–296) as well, the “great poet” was the one responsible for “new compositions of feeling” that proved “pure and permanent.”

Universally, the English Romantics perceived the advance of industrialization and urbanization as a social and environmental blight. In Wordsworth’s (1814/1853) *The Excursion*, the new industrial factories become places of demonic misery where humanity’s body and soul are sacrificed for profit, it being observed in the case of one establishment that:

> . . . as they issue from the illuminated pile,
> A fresh band meets them, at the crowded door –
> . . . Mothers and little children, boys and girls,
> Enter, and each the wonted task resumes
> Within this temple, where is offered up
> To Gain, the master idol of the realm,
> Perpetual sacrifices.

In Blake’s (1804/1969) epic poem, *Jerusalem*, the Satanic character of the new “looms” and “mills” is depicted in even starker terms, it being recorded that:

> . . . to those who enter into them they seem the only substances;
> . . . Scotland pours out his Sons to labour at the Furnaces,
> Wales gives his Daughters to the Looms; England nursing Mothers
> Gives to the Children of Albion . . .
> They compell (sic) the Poor to live upon a crust of bead
> . . . The living and the dead shall be ground in our rumbling Mills,

Lord Byron, in addressing the House of Lords (Parliament of United Kingdom 1812: 2), likewise vigorously condemned the new factories, observing that “machines” had “superseded the necessity of employing a number of workmen, who were left in consequence to starve.” Similarly, for Percy Shelley (1820/1920: 11), “modern society" had become an all-consuming engine, "wearing away or breaking to pieces the wheels of which it is composed."

The Romantic hostility to industrialization manifested itself in two generalized responses, each of which has had an enduring legacy. First, in rejecting the emerging industrial world – which, other than for Blake, an engraver by trade whose poetry conveyed an intimate understanding of the lived experiences of factory life, was always something alien and spiritually distant – we find a Romanticization of bucolic life. In Wordsworth, this famously involved an embrace of those whom he (Wordsworth 1800/2009: 142, 144) described in the "Preface" to his (and Coleridge's) *Lyrical Ballads*, as those living a "low and rustic life," a lifestyle in which "the essential passions of the heart" inevitably "find a better soil." With Byron, nobility of soul is found among the peasantry of Switzerland, Italy, and Greece, one of his letters recording that he (Byron 1816c/2015: 233) could not adequately describe the impact of his acquaintance with shepherds of the Swiss mountains: a people "pure and unmixed – solitary – savage and patriarchal." Representation of the Swiss peasantry as living a life of freedom in harmony with nature also characterizes both Mary Shelley's short novel, *The Swiss Peasant*, and the poetry of her husband (Shelley 1816/1965: 231), who recorded in *Mont Blanc* how:

> The wilderness has a mysterious tongue . . .
> So solemn, so serene, that many may be
> . . . With Nature reconciled

The second enduring legacy of the Romantic tradition, following on, as an almost inevitable condition of the first, is the positing of a spiritual existence is nature that becomes the wellspring of the human spirit. To Wordsworth (1802/1935: 295–296), as we have noted in the introduction to this chapter, "human nature" can only achieve fulfillment when it is reconciled with "eternal Nature, and the great moving spirit of things." Similarly, Thomas Carlyle (1840/2013: 145) – in rejecting the utilitarian philosophy of Jeremy Bentham that underpinned the liberal, free-market ethos of Victorian England – warned that "he who discerns nothing but Mechanism in the Universe, has . . . missed the secret of the Universe altogether." Whereas for Carlyle (1840/2013: 91, 78), however, the operation of nature represented "the realised Thought of God," for Percy Shelley (1816/1965: 229), it was the "everlasting universe of things," and for Coleridge (1817a: 47, 255), it was spiritual "essence," "present at once in the whole and every part" of material existence. It is with Coleridge's *Biographia Literaria*, moreover, that we find the fullest expression of the concept that nature has a spiritual being, a *natura naturans* that provides "a bond between nature in the higher sense" and humanity's "soul" (Coleridge 1817a: 257). Although Coleridge (1817b: 102) indicates that he developed his ideas before his inquiries into German philosophy, they are nevertheless articulated within a German idealist framework. Fichte's philosophy is described by Coleridge (1817b: 101) as providing the "keystone of the arch" for his conceptualizations, while Schelling's *Philosophy of Nature* is declared a work of "original genius" (Coleridge 1817b: 103).

Like German idealist philosophy, where Schelling (1799a/2004: 201) lambasted "physics" and "empiricism" for studying the "body" of nature rather than its "soul," English Romanticism was associated with a distrust of science, rationality, industrial progress, and the new mechanics of management. As noted in the introduction, Mary Shelley's *Frankenstein* embodies this distrust in monstrous form. In a story that has seeped deep into the popular consciousness (albeit typically in cinematic rather than literary form), we follow Victor Frankenstein's slide into a spiritual abyss, an abyss caused by infatuation with scientific experimentation. Fostered by his chemistry lecturer, who informs Frankenstein that science has penetrated "into the recesses of nature, and shows how she works in her hiding places" (1818/2005: 49), this infatuation leads him beyond the bounds imposed by the natural world. Unlike Frankenstein himself, his monstrous creation at least has the wit to understand the significance of this transgression, reflecting "How, then, must I be hated, who am miserable beyond all living things" (1818/2005: 102). Within Romantic canon, we also find a near universal hostility directed toward the managers of the new industrial era, a class of people associated with exploitation rather than innovation. To Wordsworth's annoyance, this new class – having benefited from "the invention of machinery" that drove rural spinners and weavers out of existence (1835/1974: 223) – also despoiled his beloved Lake District, buying up "the ancient cottages" as holiday retreats. To Percy Shelley (1820/1920: 11, 42–43), the "new aristocracy" was essentially parasitic in nature, responsible for "the augmentation of misery," a process that left children, hitherto "at play before the cottage doors of their parents," as "lifeless and bloodless machines." In Polidori's (1819: xix–xx) *The Vampyre*, we see a similar parasitic monster, a "human bloodsucker" who feeds on "the young and the beautiful" but who is feted in London society. In academia today, one does not need to look far in business and management studies to find echoes of this questioning of managerial legitimacy. In *A New History of Management*, we are informed (Cummings et al. 2017: 177) that business organizations today are associated with "unprecedented economic, social and environmental crises," crises where a "critical questioning" will inevitably bring into doubt the "legitimacy" of "business schools," if not business itself. Elsewhere, we are advised (Clegg and Kornberger 2003: 60, 84) that modern organizations are "iron cages" and "psychic prisons," places where new "performance-management technologies" condemn workers and clients alike to prisonlike "panoptical arrangements" (Fourcade and Healy 2013: 559).

Present at the very birth of industrial capitalism and modern systems of management, it is evident that the English Romantic tradition cast both these revolutionary forces for change in a halo of illegitimacy that each has never fully escaped. If the Romantic critique lacked the institutional coherence of the subsequent Marxist denunciations of industrial capitalism, the fact that it appealed to consciousness, feeling, and emotion – rather than revolutionary violence – arguably added to its enduring presence in our culture.

In summing up the Romantic tradition's significance, E.P. Thompson (1963: 915) argued – in the final page of his *The Making of the English Working Class* – that the inability of "Romantic criticism" to ally itself with "social radicalism" was a "lost" moment in history, a failure that left all of us "among the losers," condemned to generations of inequality and suffering. This is a difficult conclusion for a management historian to support. Far from it being the case, as Wordsworth (1800/2009: 122, 124) advised, that a "low and rustic" life embodied the "beautiful and permanent forms of nature," for most a pre-industrial rural life involved an existence steeped in filth, illiteracy, and premature death. Coleridge (1817a: 32) was, among the English Romantics, highly unusual in recognizing this fact, dismissing Wordsworth discussions of rural life as fictive creations, creations that ignored the brutal labor of rural life that typically produced a population that was "selfish, sensually gross, and hard-hearted." Nor should we suppose that the opposition of those within the Romantic traditions to the advance of industrialization indicated farsighted concern for the plight of the poor. As a philosophic tradition, English Romanticism looked backward, not forward. Byron was, as Cochrane (2011: 15) has observed, only "a revolutionary" when "abroad." In England, he was "a conservative." As noted earlier, Byron was also an opponent of working-class campaigns for universal franchise. Of those fighting for such principles, Byron (1820b/2015: 356) wrote to a fellow peer, "our classical education should teach us to trample on such unredeemed dirt." Similarly, Percy Shelley (1820/1920: 82–83) regarded the industrial working class as morally abased, "sinking into a resemblance with the Hindoos." Wordsworth opposed property taxes to pay for the alleviation of the poor. The more you increase "the facilities of the poor being maintained at other people's expense," Wordsworth (1821b/1978: 39) complained, "the more poor you have." The conceptions of nature expounded by both English Romantics and German idealists were also profoundly misguided, the American physicist, Bernard Cohen (1948: 208), dismissing the "natural philosophy" that they espoused as "the lowest degradation of science," a "nightmare" that science only freed itself from with difficulty.

More fundamentally, the idea that we should abandon the modern industrial world and retreat to some "deep Vale" where there supposedly "abides a power and protection for the mind" (Wordsworth 1888: 31) is delusionary. Yes, it is true, as Blake (1808/1969: 481) recorded, that the new industrial factories appeared as "dark Satanic Mills" to people used to a rural existence and that the poor who worked within their walls initially did so "upon a crust of bread" (Blake 1804/1969: 656). Yes, it is true Byron, as (Parliament of United Kingdom 1812: 2) complained, that rural unemployment was the initial handmaiden of industrialization as "one man performed the work of many." It is, however, folly to believe that pre-industrial rural life was an idyllic world, where a mother was left to happily "rock the cradle of her peevish babe" (Wordsworth 1814/1853) and children to "play before the cottage door" (Shelley 1820/1920: 42). As Thompson's (1963: 320) own account of country weavers makes clear, poverty was their constant companion as family members worked without end, surviving on a diet of "oatmeal and potatoes" mixed "with old milk and treacle." The fact that the first generations to enter the new industrial factories suffered poverty is thus undoubtedly true but hardly historically unique. As Braudel (1946/1975: 725) noted, the "price of progress" has historically been "social oppression," in which only "the poor gained nothing." What is historically unique about the Industrial Revolution and its associated management systems is that by

1850 – two generations after its commencement – the poor had become major beneficiaries. As managers concerned with increased productivity quickly realized, the presence of children in a highly capitalized work environment was more of a hindrance than a help. Accordingly, child labor collapsed. By 1851 (Kirby 2011), only 30% of English and Welsh children worked. Of those who did, only 15.4% of males and 24.1% of females were found in factories. As the new industrial factories demanded literate workforces, attendance at school becomes the social norm, rather than the exception. For the great majority, in short, Romanticized hankering for a bucolic existence was something best left to poetry and literature.

Evidence and Knowledge

It is a peculiar if fundamental fact of research that debates about evidence and knowledge, and of the relationship between the two, is as contested today as they were in the ancient world. Thus we read in the pages of *Academy of Management Review* "that there is a 'literary' or 'fictive' element in all historical and scientific writing" and that "objectivist history" (i.e., one constructed around "facts") "is clearly inimical" to critical "reflexivity" (Rowlinson et al. 2014: 257, 254). Elsewhere, we are advised (Munslow 2015: 129) that we should profoundly question – if not reject – methodologies that are "realist, empiricist," that we should be "rhetorically reconfiguring the past" (Suddaby and Foster 2017: 31), and that useful business-related research can be based on "grounded fictionalism" (Foster et al. 2011: 109). Such approaches are deliberately subversive of established Western canon. For as Derrida (1998: 2) realized, by attacking the principles of language and epistemology upon which Western business endeavor is constructed, one is attacking its very foundations. There is thus much more than hyperbole to the claim by the Dutch postmodernist, Frank Ankersmit (1989: 142), that "The postmodernists' aim is to pull the carpet out from under the feet of science and modernism." If, however, we are to take such critiques seriously – rather than simply dismiss them out of hand as too many of their critics are wont to do (see, e.g., Gross et al. 1996; Windschuttle 2000) – then we need to first understand the origins of postmodernism and its roots in philosophic idealism. This, in turn, requires a comprehension of how German philosophic idealism and English Romanticism emerged in part as responses to British empiricism, a tradition intimately connected to the rise of industrial capitalism and its associated managerial systems.

In origin, the conflict between empiricism and philosophic idealism – and the fundamental principles at stake – can be traced back not centuries but millennia, the former finding its first cogent expression in Thucydides' *The History of the Peloponnesian War*, a work that has provided a guiding star for countless generations of historians. In Thucydides' (431 BCE/1954: 47–48) opinion, research should always be based on "the plainest of evidence," evidence based either on one's own observations or on "eye witnesses" whose accounts one "checked with as much thoroughness as possible." Although Thucydides' formulation did much to inform the empiricist or positivist tradition that emerged in Britain from the mid-seventeenth century, in the ancient world it was not shared by the higher minds of Greek philosophy, most particularly Plato and Aristotle. For Plato (380 BCE/2003: 239–248), as he indicated in *The Republic*, it was evident that we do not perceive the world directly but rather through mental "representations," perceptions that we make sense of by giving them generalized mental "forms" which become the basis for reasoned thought. Thus, we categorize certain shapes as geometric "circles" even though it is probable that no perfect "circles" exist in nature. The problem for Plato, as for subsequent philosophers, was to distinguish not only between "representations" that are real from those that are based on illusion (*eikasia*) but also – in terms of the conclusions that we draw from evidence – between "knowledge" and unfounded "belief." To get around these difficulties, Plato chose to regard understanding as a series of hierarchical steps, a solution that caused him to conclude that only a trained elite was capable of comprehending "true reality." In confronting the same issues, Aristotle (c.330a BCE/1941: 689–670, 712–713) distinguished between "practical" and "empirical knowledge" on one hand (i.e., medicine, carpentry, etc.) and "natural science" and "theoretical knowledge" on the other. For Aristotle (c.330a BCE/1941: 712, 860–861) however, such "empirical knowledge" can never do more than provide a basis for "action" by what he called "practical" and "productive science" (i.e., engineering). Conversely, "truth" and "natural science" – which Aristotle (c.330a/1941: 861) associated solely with theoretical physics, mathematics, and theology – can only involve understanding of the inner "essence" of things that "suffer no change," a category within which he fallaciously included "the heavenly bodies" (Aristotle c.330a/1941: 859).

In the ancient world, the most significant attempt to reconcile conflicting views on evidence and knowledge was found in Book X of St. Augustine's (c.400/2007) *Confessions*, one of the most significant (if overlooked) works of Western philosophy that subsequently underpinned much of the thinking of both Immanuel Kant and (to a lesser degree) German idealist philosophy. Like Plato, and unlike Aristotle, St. Augustine (c.400/2007: 153–157) believed that perception was based not on "the things themselves" but rather mental "images" generated by the objects of our senses. Similarly, he held that we "intuit" within ourselves concepts that do not exist in the natural world, i.e., mathematical representations. Where St. Augustine (c.400/2007: 152) differed from Plato was in giving a primacy to the natural "reason" of human beings "to judge the evidence which the senses report."

Long dormant, the problematic nature of the relationship between evidence and knowledge was again brought to the fore in arguably the greatest "debate" in the history of ideas, waged between David Hume (1739b/1896, 1748/1902) – the most original thinker that British empiricism has produced – and Immanuel Kant (1783/1902, 1787/2001), a central figure in German philosophy. This "debate" – the term used advisedly as Hume died in 1776, prior to Kant's refutation of his conclusions – was inspired by Hume's (1748/1902) *An Enquiry Concerning Human Understanding*, which was a popularization of his earlier (1739a/1896) three-volume *A Treatise of Human Nature*. Such were the originality of Hume's insights, Kant (1783/1902: 7) declared, that they proved to be "the very thing" which interrupted him from his "dogmatic slumber," giving his own "investigations" a "new direction."

The revolutionary nature of Hume's insights stemmed from two key theses. First, in giving absolute primacy to physical evidence and experience, Hume (1748/1902: 36) argued that it is impossible to establish through either reason or experimentation any "law of causality." To the extent that we can draw cause-effect relationships, Hume (1748/1902: 43) added, these result from "the effects of custom" – what we generally think of common sense based on long experience – "not of reasoning." Seen from this perspective, everything in history becomes particular. Subsequently, several centuries after Hume, when G.R. Elton (1967/1969: 42) declared in his much read *The Practice of History*, that "[f]ew practicing historians would probably nowadays fall victim to the search for laws," he was therefore not making a new observation. Rather, he was restating what had become a bedrock principle of the British empiricist tradition within which he was located, a tradition that caused Elton (1967/1969: 74) to conclude that "history . . . will always be able to say: this once existed or took place, and there is therefore truth to be discovered."

If the first of Hume's key theses made verifiable evidence and experience the central component, his second insight – that human behavior is driven primarily by "passions" and emotion – stands in at least partial contradiction to his first. Devoting the second volume of his *A Treatise of Human Nature* to "passions," Hume (1739b/1896: 241) accurately observed that – unlike reason – "'tis evident our passions" are "not susceptible" to rational "agreement or disagreement." Having identified "passions" as a central explanatory factor in human behavior, however, Hume confronted the problem of how to best weave an understanding of emotion into an avowedly empiricist framework. Hume's (by no means perfect) solution to this problem – which was to have immeasurable significance for disciplines such as economics and management – was obtained through his identification of "self-interest" as humanity's preeminent emotion. As Hume (1739b/1896: 266) expressed it, "Men being naturally selfish . . . they are not easily induc'd to perform any action for the interest of strangers, except with a view to some reciprocal advantage."

Immanuel Kant, in countering Hume's treatises in ways that had profound significance for Western research – Popper (1934/2002: 23) observing that Kant was "the first to realize that the objectivity of scientific statements is closely connected with the construction of theories" –studiously ignored Hume's insights into the role of "passions," focusing instead of how we can understand causal relationships. Like Plato and St. Augustine – and unlike Aristotle, Hume, and the wider empiricist tradition – Kant (1783/1902, 1787/2001) argued that we perceive the material world indirectly through mental "representations," representations that can often deceive (i.e., the apparently fixed nature of the "heavenly bodies"). Like St. Augustine – and unlike subsequent exponents of both German idealism and postmodernism – Kant (1787/2001: 348) also believed that the objects of our "representations" *do* have an independent existence, "actually and independently of all fancy." Significantly, Kant (1783/1902: 43) vociferously rejected charges that he was himself a philosophic idealist – charges that grew ever louder after his death – declaring in his *Prolegomena* that "My idealism concerns not the existence of things . . . since it never came into my head to doubt it, but it concerns" only the ways in which "things" are represented in our "imagination." Where Kant differed from his predecessors was in making the *testing* of concepts drawn from observation the central plank in his "law of causality." Kant, in coming to this solution to the problem of establishing causal links, effectively outlined principles for research using inductive logic, albeit in ways that avoided the express use of the term.

If Kant believed that, in finding an (imperfect) solution to what he (Kant 1783/1902: 7) referred to as "Hume's problem" – i.e., we can never by reasoned analysis determine causal relationships – it was nevertheless the case that the emergent German idealist traditions quickly honed in on the two obvious weak points in Kant's theorizing. First, in highlighting matters relating to being, consciousness, and will, German idealist thinkers – most notably Fichte, Schelling, Schopenhauer, Hegel, and Nietzsche – picked up the core aspect of Hume's philosophy that Kant had largely ignored: the role of passions, emotion, and feeling. The second problem that German idealism identified in Kant's thinking was the relationship between evidence and knowledge, an area where Kant (1783/1902, 1787/2001) in truth advanced epistemology little further than St. Augustine (c.400/2007), both relying on the powers of reason to distinguish between objective reality and illusion. Indeed, despite the complexity of Kant's thinking, his conclusions in relation to evidence were closer to Hume than subsequent idealist philosophers. As Kant (1783/1902: 102) concluded in his *Prolegomena* "there is something real without us which not only corresponds, but must correspond, to our external perceptions . . . This means that there is something empirical, i.e. some phenomenon in space without us." Inherently logical, this is nevertheless a point whose veracity we can never be sure of. It is theoretically possible that the external world is all illusion. In pursuing this exact point, German idealist philosophy established its raison d'être. Within a few years of Kant's articulations, a far more subjective view of evidence found voice in Johann Fichte. Outlining positions that became de rigueur in German idealist philosophy, Fichte declared "that all reality . . . is solely provided through imagination" (Fichte 1794/1889: 187) and "that what thou assumes to a consciousness of the object is nothing but a consciousness of thine own supposition of an object" (Fichte 1799/1910: 62). Now, it is true that similar, radical idealist positions were argued long before Fichte. Emphasizing the primacy of consciousness over sensory perception, René Descartes (1641/1991: 149–150) had declared in his *Meditations on First Philosophy* that it is equally possible to "persuade myself" that either "nothing has ever existed" or the reverse. Even more radically, the English cleric, George Berkeley (1710/1996: 24), concluded that all "things that exist, exist on in the mind, that is, they are purely nominal." Where German idealist philosophy differed from these earlier studies was in its establishment of a whole *school* of thought, a school that linked a subjective and relativist view of evidence with consciousness and will.

Although German idealism is universally characterized by an emphasis on consciousness and a distrust of "empirical" evidence and "experimental science" after Fichte it nevertheless bifurcated into two broad streams, albeit ones characterized by fluid rather than rigid borders. The first of these – exemplified in the work of Schelling and Hegel – believed that the "essence" that pervades all things reflects a deist being, a divine force that was to Schelling (1809/2006: 10) the "invisible driving force" in nature, and to Hegel (1837/1956: 36) a "God" whose "plan" determines "the History of the World." The second stream, which is seminal to understanding postmodernist critiques of capitalism and management, is best exemplified in the work of Schopenhauer and, subsequently, Nietzsche, Husserl, and Heidegger, a stream that tied understanding and knowledge to *individual* consciousness and will. In rejecting what he referred to as Kant's "realistic dogma," Schopenhauer (1859/1969: 15) demanded that we "absolutely deny to the dogmatist the reality of the external world . . .The whole world of objects is and remains representation, and is for this reason wholly and forever conditioned by the subject."

It does not take much imagination to see how Schopenhauer's ideas – which were seminal in Nietzsche's philosophy – flowed through Nietzsche, Husserl, and Heidegger to Foucault. Whereas for Schopenhauer (1859/1969: 275) it was "the will to live" that gave "the individual" the power to overcome all else, "even at the sight of death," for Nietzsche (1883/1970: 137) it was "the will itself, the will to power, the unexhausted, procreating life-will." Similarly, for Foucault (1976/1978: 94), power is, primarily, "not an institution" or "a structure" but rather something that is "immanent" and "internalized." For Heidegger (1927/1962: 61), it was also the case that knowledge and "knowing" are primarily due to inner "being," what he referred to as *Dasein* or "Being-in-itself." With Schopenhauer, representation, knowledge, and will are also interwoven in a single whole with speech and language, the claim being that "this world is, on the one side, entirely *representation*" and, on the other, "entirely will" (Schopenhauer 1859/1969: 4). Again, one does not need much imagination to see how such ideas have flowed through to recent postmodernist critiques. For Nietzsche (1874: 28), also drawing on Schopenhauer, what is important in representation is its relationship to an active will, it being the case that "great things never succeed without some delusion." Similarly, for Foucault (1966/1994: 305) – who (wrongly) declared Nietzsche to be "the first to connect the philosophical task with a radical reflection upon language" – representations of language are primarily mechanisms through which "codes of cultures" are enforced – and disrupted (Foucault 1966/1994: xx–xxi).

If the roots of postmodernist canon in German philosophic idealism are self-evident, we should not neglect the debt that this canon owes to English Romanticism. Again, it is not hard to find evidence of this connection, the late Hayden White (1973b: 50) accurately noting (as we have previously indicated) that Foucault's ideas were part of a tradition "which originates in Romanticism": a tradition united by "a common antipathy" to Enlightenment "rationalism." It is, however, through the influence of White himself that we find the principal mechanism through which the shared conceptions of the Romantic tradition – with its hostility to industrialization and a belief in the poetic imagination – enter into postmodernist canon. Described by Rowlinson et al. (2014: 251) as "a leader philosopher of history" whose approach "embodies the kind of history that we mean," White's own intellectual roots in Romantic opposition to industrial capitalism are indubitable. As White (1982: 12) – reflecting on his own conceptions – noted on one occasion, "Romanticism represented the last attempt in the West to generate a visionary politics on the basis of a sublime conception of the historical process." Like

Coleridge (1817b: 164), for whom literature should always act as a source of inspiration for humanity's "philosophic consciousness," for White (1973b: ix–x), any "historic work" must first and foremost be a "poetical act." Like Blake (1799/1980: 10), for whom "this world is all one continued vision of fancy or imagination," for White, "History's subject matter is a place of fantasy" (White 2005: 333), a place where the borders between the "truthful" and the "purely imaginary" are dissolved (White 1966: 130). As with Percy Shelley (1820/1920: 111), for whom the supposed "capabilities for happiness" created by the Industrial Revolution merely ensured an "augmentation of misery," for White (1973b: 2), "modern, industrial society" merely provided for the spiritual degradation of Western society and an associated intellectual subservience by other "cultures and civilizations." White also owed a very significant intellectual debt to the eighteenth-century Italian philosopher, Giambattista Vico (1744/1968: 186), for whom the use of metaphorical imagery in any narrative account was recommended as a means of recapturing the "vast imagination" that had been lost with the advance of civilization and urbanization.

As with German philosophic idealism, whose creed has gained contemporary expression in management and business history via Nietzsche, Derrida, and Foucault, one does not need to look far to see the influence of White and, through him, the Romantic poetic tradition. In assessing the state of organizational and management history, Munslow (2015: 132) places White at the top of his "list" of historical thinkers, declaring his ideas as seminal to the "epistemological insurgency" against "empirical-analytical-representationalist historying." In discussing the critical principles upon which management history should be based, Jacques and Durepos (2015: 96) also assign "White's theory" a primary place in their thinking, a theory which they argue opens up "the emancipatory potential of our discipline in the present and future." Similarly, Durepos and Mills (2012: 84–86), in outlining their conceptions of "ANTi-History," declare that their own "insights" draw on White's "elementary thoughts," thoughts which they argue have been seminal in shifting "historiography" away from "a focus on *truth* [emphasis in original]" toward an understanding of the "socially constructed nature" of historical writing. Elsewhere, the feminist historians, Ann Curthoys and Ann McGrath (2009: ix) declare that "the work of Hayden White" is the "[m]ost influential" force in recent historiography, demonstrating that historical writing is (supposedly) built around "creativity and textuality" rather than any claim to factual accuracy.

One does not need to regard postmodernism with totally antipathy to comprehend the problems that stem from grounding historical research – most particularly in business and management history – in subjective understandings of consciousness, will, and the poetic.

Not only can such an emphasis lead to a lack of thought being given to the material conditions of existence, it also often leads to sweeping epistemological generalizations being made without due consideration as to the implications that necessarily follows when one grounds one's ideas on such premises. If we are to "return to basics" in order to better comprehend our collective intellectual premises, a good place to start is the eighteenth-century "debate" waged between Hume and Kant. For Hume (1748/1902: 19, 30), as for the generations of positivist scholars who followed in his wake, "our thoughts" are always "confined within very narrow limits," limits that cause us to err whenever we move beyond "observation" and "experience." Accordingly, we will always search "in vain" for the "general causes" of things, given that experience restricts our observations to matters particular. Among positivist scholars, the legacy of Hume's dictates is seen in an emphasis on "verifiable" evidence, "facts," and a distrust of grand theorizing, attributes that make positivists natural foes of postmodernism in its various hues, even though (paradoxically) both schools of thought share a common distrust of generalizable "laws." Accordingly, positivist scholars typically seek to "refute" postmodernist-informed methodologies by pointing to factual errors in the latter, Tyson and Oldroyd (2017, 13), for example, finding most objectionable the willingness of "critical accounting" researchers to "wilfully distort or omit key factual information" so as to bolster "a moral stance." The problems with such positivist "refutations" are manifold. As Plato, St. Augustine, Kant, and others long appreciated, we only make sense of our "observations" through conceptual representations and generalizations. Typically, moreover, our conceptual generalizations either do not correspond to the objective world (i.e., the improbability of perfect "circles" existing in nature), or they only have meaning within a wider scaffolding (i.e., something is "high" only in comparison to something else). To complicate matters further, many of the conceptualizations that frame our thinking – democracy, freedom, emancipation, profit – do not have a material existence. How then to make sense of the world without embracing the philosophic relativism of idealist thought or postmodernism? The answer to this question, we suggest, is the necessarily imperfect path suggested by Kant, Popper, E.H. Carr, and others, whereby we start from concepts, concepts that we continually seek to find evidence for in the world of material existence. Now, it must be admitted, as Berkeley (1710/1996: 24) once asserted, that it is possible that the material world is only illusionary spirit and that all "things that exist, exist only in the mind." If, however, it remains the common experience of humanity that our generalized conceptualizations are continually supported by the "observation" and "experience" that Hume held so dear, then we can also logically endorse Kant's (1787/2001: 348) conclusion that there is in all probability a "material" world "actually and independently of all fancy." And if we accept these propositions, then there is no need to heed the siren calls of postmodernism, philosophic idealism, or Romanticism, each of which in their own ways asserted a subjective and "relativist" view of evidence.

Conclusion

For most of the twentieth century, the principal foe of Western capitalism and management was Marxism. For all the bloodshed that the Marxist challenge entailed, however, it was nevertheless the case that Marxism shared much common ground with its capitalist enemies. In terms of social purpose, Marxism shared the view that industrialization was to humanity's benefit. In terms of ideas, Marxism was a materialist philosophy. Like the exponents of classical economics (Smith, Mill, Marshall), Marxists believed in the verifiable nature of evidence. There were always, however, intellectual currents that shared few if any of the assumptions of either classical economics or Marxism. Of enduring significance among these alternative intellectual traditions were German philosophic idealism and English Romanticisms, each of which placed the human imagination, consciousness, and will at the center of their thinking, attributes which have since become a defining feature of the various forms of postmodernism. Like Jacques Derrida (1967/2001), who believed that within language every expression of being occurs alongside an absent existence, German idealism concluded that "every existence" signals "another existence" (Fichte 1799/1910: 7). Like Hayden White (2005: 333), who believed that history "is a place of fantasy," English Romanticism concluded that the world that we inhabit is primarily one of "imagination" (Blake 1799/1980: 10) and that historical writing should be based on the understanding that a "vein of poetry exists" at the "heart" of humanity (Carlyle 1840/2013: 79–80). Like Foucault (1976/1978: 100), who wrote that "power and knowledge are joined together," Coleridge (1817b: 114) recorded that "Knowledge is power." Similarly, in German idealism, we find the belief that "knowledge" represents assertion of "will" by one party over others (Schopenhauer 1859/1969: 337). Also pervading the canon of both German idealism and English Romanticism is the view that industrialization initiated an unprecedented "augmentation of misery" (Shelley 1820/1920: 11), a world of "dark Satanic mills" (Blake 1808/1969: 481) that reduced all within its grip to the status of "herd animals" (Nietzsche 1889a/1990: 130).

Within contemporary business and management history, the understandings that underpinned German idealism and English Romanticism now provide foundations for "critical" and postmodernist perspectives hostile to industrial capitalism and its associated systems of managerial endeavor. Thus we are advised that postmodernists consider "modernist criteria of truth or falsity" as irrelevant in "assessing how the past is re-presented" and that there is a fundamental social "truth" in the "fictive" (Munslow 2015: 139). Hostility to the whole structure of modern industrial society also provides a bond between contemporary postmodernist belief and earlier idealist and Romantic critiques. Accordingly, we are informed that "modernism" is an "utter failure" (Durepos 2015: 161); that "Truth and knowledge . . . are weapons by which a society manages itself" (McKinlay and Starkey 1998: 1); and that current managerial models are complicit in "unprecedented economic, social and environmental crises" (Cummings et al. 2017: 177).

As idealist philosophies, German philosophic idealism and English Romanticism have all benefited from the fact that appeals to imagination, individual consciousness, and the "poetic" are inherently more beguiling than explanations grounded in economics and the base nature of material existence. It has also been the contention of this chapter that postmodernism has benefited from the inherent difficulties that empiricist or positivist epistemologies have in countering the "relativism" of those who stand as heirs to the intellectual traditions of German idealism and/or English Romanticism. As we have noted, the apparent solidity of many positivist defenses crumbles when confronted with the fact that many of concepts central to our understanding do not exist in physical form (profit, freedom, etc.) and that even things do only have meaning when located in a wider intellectual scaffolding.

If the appeals of philosophic idealism, Romanticism, and postmodernism are indubitable, it is nevertheless the case that the underlying premises of these traditions are misguided. In terms of epistemology, it is far more likely that the material world does exist, as Kant (1783/1902: 102) observed, "as something real without us" than the reverse (i.e., the perceived world is a figment of our imagination). Once we accept this premise, then we can continually test our concepts and generalizations against evidence, i.e., that if my employees attend work every day, my output will be higher than if they do not. The association of modern capitalism and management with a universal "augmentation of misery" is also misguided. Rather than it being the case that "never have violence, inequality, exclusion . . .affected so many human being in the history of the earth" (Derrida 1993/2006: 106), capitalism and management have been associated with the advance of democracy and literacy and rising living standards. As the labor historian, E.P. Thompson (1963: 452), noted, industrial capitalism also opened up unprecedented opportunities for women as "independent wage earners," free from "dependence" on male relatives. Similarly, demand for child labor quickly collapsed in every industrializing nation as managers focused on productivity as the primary source of economic gain. It is also a mistake to associate philosophic idealism, with its emphasis on consciousness and will, as inherently democratic and emancipatory. On the contrary, a prioritization of individual will have a tendency to lead its exponents in anti-democratic directions. It is thus hardly surprising that most Romantic and idealist thinkers regarded common humanity with undisguised disdain, dismissing such citizenry as "unredeemed dirt" (Byron 1820b/2015: 356) and "the lowest clay and loam" (Nietzsche 1874: 39). Yes, it is true that Romantic literature and idealist philosophy make us think about individuality and our relationship with the natural world. Their words remain, as intended, spiritually uplifting across the space of centuries. They are, however, poor guides for either practical action or research.

Cross-References

▶ Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
▶ Economic Foundations: Adam Smith and the Classical School of Economics
▶ The Intellectual Origins of Postmodernism

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The Marxist Opposition to Capitalism and Business

18

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Contents

Abstract

Marxism is a political ideology synonymous with worker exploitation and capitalist oppression. Marxist thoughts and ideas occupy a prominent place in management history. Regarded as one of the most influential authors of the "nineteenth century," Karl Marx's work was seen as a beacon of light for the "exploited" "proletariat." Motivated by the evident disparity between the "poverty" and "sickness" of the working class and the "triumph" of capitalists, Marx was uncompromising in his resolve to explain the class struggle brought about by private enterprise. While conceding the economic progress made possible through capitalism improved the social conditions for some, Marx believed that the consequence of this progress, the perpetual cycle of degradation and misery experienced by an exploited working class, was not an acceptable price to pay. Whether Marx's theories are supported or opposed, they have had a lasting influence on the minds and actions of those living within a capitalist society. Altering the "nature and direction" of "social science," Karl Marx's collective

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works have endured as one of "the most powerful" forces "permanently transforming the ways in which" people "act and think." Within this chapter, we trace the development of Marxism from Marx's first public work *The Poverty of Philosophy*, written in response to the work of socialist Pierre-Joseph Proudhon, through to the first volume of Marx's *Capital*. This chapter examines the Marxist opposition to capitalism and business.

Keywords

Marx · Proudhon · Capitalism · Exploitation · Surplus value · Adam Smith · Division of labor · India

Introduction

Marxism is a political ideology synonymous with worker exploitation and capitalist oppression. Marxist thoughts and ideas occupy a prominent place in management history. Regarded as one of the most influential authors of the "nineteenth century," Karl Marx's work was seen as a beacon of light for the "exploited" "proletariat" (Marx 1867/2013; Marx and Engels 1848/2012; Berlin 1939/2013). Described in his early years as "the greatest" "genuine philosopher" alive, Marx was credited to be a living combination of the better parts of "Rousseau, Voltaire, Holbach, Lessing, Heine, and Hegel" and his publication *Capital*, "the bible of the working class" (Marx 1867/2013). Marx set out to distinguish his work from those who had come before him. He believed his philosophical predecessors had "only *interpreted* the world, in various ways," whereas he believed "the point" was "to *change* it" (Marx 1867/2013). Motivated by the evident disparity between the "poverty" and "sickness" of the working class and the "triumph" of capitalists, Marx was uncompromising in his resolve to explain the class struggle brought about by private enterprise (Berlin 1939/2013).

Whether Marx's theories are supported or opposed, they have had a lasting influence on the minds and actions of those living within a capitalist society (Berlin 1939/2013). Altering the "nature and direction" of "social science," Marx's work looked at the same problem of political economy differently to his predecessors (e.g., Adam Smith, David Ricardo) by examining the concept of capitalism from an alternative angle – that of the laborer (Berlin 1939/2013). While the scope of his examination did not extend far beyond those factors influencing the capitalist/laborer relationship, Marx's work shifted the way capitalism was perceived. While conceding the economic progress made possible through capitalism improved the social conditions for some (as Proudhon did), Marx believed that the consequence of this progress, the perpetual cycle of degradation and misery experienced by an exploited working class, was not an acceptable price to pay (Berlin 1939/2013; Proudhon 1847/1888). As a result, Marx devoted much of his working life to liberating the proletariat, the underclass of his time, both actively by inciting revolution and passively by educating society on the state of political economy. His contribution to societies understanding of how value is created and distributed in a capitalist society was significant. Karl Marx's collective works have endured as one of "the most powerful" forces "permanently transforming the ways in which" people "act and think" (Berlin 1939/2013). The significance of Marx's work lies in his different investigation of and reaction to the social and political consequences of "the evolution and structure of capitalist society" (Berlin 1939/2013). This chapter examines the Marxist opposition to capitalism and business.

Marxism commenced unceremoniously. Marx's first public work was a paper written in response to the work of socialist Pierre-Joseph Proudhon (Proudhon and McKay 2011). Proudhon was a popular socialist in France during the mid-nineteenth century and Marx's "main theoretical competitor within the socialist movement" (Proudhon and McKay 2011). Significant to Marx's ties with Proudhon was the conflict that existed between the two, a conflict rumored to have started with Marx's publication of *La Misère de la Philosophie* (or *The Poverty of Philosophy*). Written in response to Proudhon's the *La Philosophie de la Misère* or in English, *The Philosophy of Poverty*, Marx widely condemns Proudhon, inciting a feud between the Proudhonists and Marxists that would span years (Hoffman 1967). Central to the ongoing dispute is the origin of Marx's concepts such as surplus value and class conflict (Hoffman 1967). Supporters of Proudhon claim that Marx plundered various ideas from Proudhon, later restating or advancing them without acknowledging Proudhon's role in first, "propounding and proving" their legitimacy (Proudhon and McKay 2011). Despite questions surrounding the originality of Marx's economic theories, there is no doubt that the way in which Marx later developed and presented his ideas was his own (Tucker 1888). Although Marx was one of Proudhon's "harshest critics" he went on to name in various later texts, including *The Communist Manifesto* and *Capital* indicating that despite conflicts of opinion, Proudhon had left a lasting influence on him (Marx 1867/2013; Marx and Engels 1848/2012; Proudhon and McKay 2011). *The Poverty of Philosophy* was Marx's first major work and therefore provides insight into the origins of his doctrine, which ultimately became Marxism (Proudhon and McKay 2011). In order to understand Marxist thought therefore, it is necessary that we trace the development of his ideas back to their roots, roots which are irrefutably entwined with Proudhon. Marx, however, was not merely a man of words but a man inspiring action.

Marx's and Engel's publication of the *Communist Manifesto* aimed to ignite a fire in the hearts of proletariats. Distributed in Paris "shortly before the insurrection of June 1848," the *Communist Manifesto* was not recognized for its social and political significance until after the French Revolution of 1848 had been defeated (Marx and Engels 1848/2012). Going on to become one of the most widely distributed political pamphlets in the world, the Manifesto not only stands to end class divisions, private ownership, and the bourgeois rule but bring about a world united through public ownership (Marx and Engels 1848/2012). Recognizing, however, that the average working-class person – those who would ultimately partake in a proletarian revolution – had little knowledge or understanding of the economic foundations on which the bourgeois rule was built, Marx published a series of articles within a radical newspaper, the *Neue Rheinische Zeitung* (of which he later became "its chief editor")

(Marx 1849/2010; Berlin 1939/2013; Wheen 1999). Within these articles, subsequently republished as *Wage Labour and Capital* (Marx 1849/2010), Marx explained in simple terms, the fundamental elements of the economic situation at the time. He educated the public on how the capitalist class formed and maintained its power, giving each reader the ability to make an informed decision as to the merits (and drawbacks) of capitalism (Marx 1849/2010). No Marx publication, however, better illustrates the depth and scope of change capitalism brings to a previously "uncivilised" (by English standards at the time) society, than *The British Rule in India*, and *The Future Results of British Rule in India* (Marx 1951a, b). Writing on the conquering of India, Marx outlines how the British transformed the nature of the Indian society. No longer were the Indians living under a despotic regime, operating a "social division of labor, without production of commodities." For, under the rule of British bourgeoises, they became internally united by capitalist trade (Marx 1867/1887, 1951a, b. Capitalism, however, is akin to a double-edged blade, providing both benefits and drawbacks. Therefore, despite the bourgeoise, within "one hundred years," having "created more massive and more colossal productive forces than have all preceding generations together"; despite the "improvement" in "instruments of production" and the "immensely facilitated means of communication" drawing "even the most barbarian, nations into civilisation"; and despite the progressive developments occurring in response to the bourgeois rule, Marx saw the system as too productive, too powerful, and too narrow (Marx and Engels 1848/2012). Marx believed that "whatever could be defined as progressive in terms of the human conquest of nature had been achieved at the price of the increasing exploitation and degradation of the real producers – the working masses" (Berlin 1939/2013). Consequently, Marx believed the capitalist system needed to be overthrown in favor of Communism.

Central to capitalism is labor: the "alienated" workers "without whom" the system "would fail" (Marx 1867/2013). Living under a capitalist regime, wherein the class divisions between bourgeois and proletariat continue to expand, Marx was determined to thoroughly investigate the inherent inequality and exploitation brought forth by the system. By the late 1950s, Marx had fully developed his "criticism of political economy" (Marx 1849/2010). With methodical diligence, Marx constructed his foremost economic publication outlining the capitalist mode of production, *Das Kapital: Kritik der politischen Oekonomie* or as it is known in English, *Capital*. Acknowledging the work of classical economics including Adam Smith and his "general theory of value," which David Ricardo later revised and formalized, Marx's "theory of value" "in its fundamentals" was described as "a necessary sequel to the teaching of Smith and Ricardo" (Marx 1867/1887). Central to Marx's contribution to the study of economics is his study of labor value (Wolff and Resnick 2012; Berlin 1939/2013; Marx 1849/2010). Specifically, it is claimed that Marx was the first to "examine critically" the "two-fold" nature of labor within commodities; that labor has both a use value and an exchange value (Marx 1867/1887; Carey 2019). The value of labor, as understood by Marx, lies at the foundation of the bourgeoise's appropriation of surplus value and is thus central to the worker's plight under capitalist's rule. For it is through the value creating quality of labor-power where the capitalist extracts surplus value, a value which is transformed into capital and revenue (Marx 1867/1887). According to Marx, wealth is created when the "value of the elements consumed in production" – a value including raw materials, wear and tear of any equipment used during production, and labor power – is lower than the value of the product (Marx 1867/2013). The difference between the commodities two values (i.e., the value advanced in production and the value of the commodity in exchange) is surplus value, or, in other words, the capitalist's profit (Marx 1867/1887).

Marx's work is fundamentally different from those who came before him. Writing at a time in history which saw the movement from feudal rule to a free, capitalist economy, he not only bore witness to changing work relationships but advances in machinery, transportation, and communication which fostered significant improvements the means of production and distribution (Marx 1849/2010; Marx and Engels 1848/2012; Marx 1867/1887; Ackers and Payne 1998; Marx 1951a). Marx also bore witness to the birth of a new, capitalist society and through this, the emergence of wage-labor, capital, private property, and a new form of class distinction: the proletariat and bourgeoisie. Examining Marx and his contribution to the history of management is the central purpose of this chapter. While it is not possible to explore all of Marx's work, concepts, and ideas within this chapter, in large part due to the scope and depth of his writings, every effort will be made to do justice to those which are included and pertain to discussions as they are narrowly constructed. Prior to commenting on Marx's contribution to the history of management, it is necessary that we begin with an examination of Marxism's first public work, *The Poverty of Philosophy* and trace the development of Marxist concepts through select works, before concluding with the first volume of Marx's *Capital*.

Marxism Begins: Proudhon and Marx

The first "public work on Marxism" was *The Poverty of Philosophy*, a book entitled as a mimicry to Pierre-Joseph Proudhon's publication *The Philosophy of Poverty* (Proudhon and McKay 2011). Marx appears to have undertaken considerable effort to not only refute the work of his former acquaintance but disparage Proudhon's stance as "one of the leading socialist thinkers in France" of his time (McKay 2017). In the opening sentences of his book, Marx says:

> M. Proudhon has the misfortune of being peculiarly misunderstood in Europe. In France, he has the right to be a bad economist, because he is reputed to be a good German philosopher. In Germany, he has the right to be a bad philosopher, because he is reputed to be one of the ablest French economists. Being both German and economist at the same time, we desire to protest against this double error. (Marx 1847/1955)

Significantly, it is Proudhon's work which has been credited as the "originator" or "the stimulus responsible" for several of Marx's concepts including "surplus value," "materialism," and the "class struggle" (Hoffman 1967). However, claims of "plagiarism" or that Proudhon was the father of such concepts, according to Hoffman, attribute "unwarranted importance" to him, or more broadly, any single person (Hoffman 1967). While the "similarities in" both Marx and Proudhon "texts" indicate "that they probably learned much from each other" Hoffman says, "the differences between the two men were too great for them to influence each other significantly" (Hoffman 1967). It is, however, "fair to say" that if Marx had "appropriated" a number of "themes" from Proudhon, he did later develop these in greater depth (Proudhon and McKay 2011). Despite the disputes that exist between the Proudhonists and Marxists, it is undeniable that of some elements contained within Marx's later work (e.g., *Capital*, published 20 years after *The Philosophy of Poverty*) bears a marked resemblance to those first discussed by Proudhon (Proudhon and McKay 2011). Regardless of which side of the debate one stands, the interaction between Proudhon and Marx contributed to the development of Marxist ideology, an ideology which remains prevalent in the modern study of political science. In order to thoroughly examine Marxism therefore, it is necessary this chapter commence with a brief overview of Proudhon's work in *The Philosophy of Poverty* and Marx's response.

Capitalisms core purpose has always been the same: profits. The processes by which it is understood profits are achieved – and how they are measured – have undergone a marked transformation throughout the years. However, central to enduring understandings is the concept of value. Adam Smith "discovered the division of labor" and in turn, the force which produces "value": labor (Proudhon 1847/1888). Ricardo refined the theories of exchange value saying, "excepting those" things "which cannot be increased by human industry" (e.g., "rare statues") "labor time . . . is really the foundation of the exchangeable value all things" (Ricardo 1817/2001). However, during Proudhon's time (the mid-1800s), capitalism's defining characteristic was not the division of labor, nor was it labor time. Rather, it was wage-labor (Proudhon 1847/1888; McKay 2017). According to Proudhon, wage-"labor measured by time," is central to the creation of "surplus" or "excess" within a capitalist economy (Proudhon 1847/1888).

According to Proudhon, wage-labor emerged in response to the "employment of machinery," "the most powerful machine" being, "the workshop" (McKay 2017; Proudhon 1847/1888). A workshop organizes labor into "permanent" groups with a "specific purpose," working towards a united objective (Proudhon and McKay 2011). For the employer, organized workshops provide a means of controlling labor and therefore, "produce more steadily" and "more abundantly," with "less cost" (Proudhon 1847/1888). The ability to reduce production costs allows the capitalist to sell their goods at lower prices which increases sales and generates greater profit in return (Proudhon 1847/1888). The emergence of "the workshop," with increased productive capacities and access to greater capital, monopolized market share and reduced the ability for certain persons to "sell" their "products" of labor "directly" to the public (i.e., the cordwainer selling their shoes) (Proudhon 1847/1888). Unable to compete "against a power so superior" (i.e., the workshop), "isolated labor" in consequence came to work under a "master" which reduced their "rank" from "artisan to that of common workman" (Proudhon 1847/1888). Despite the employee being guaranteed a "perpetual market" for their labor, "steady work" for "a fixed price, and security" through this arrangement, their labor (and subsequent produce of) becomes the property of the "purchaser or middle-man" (i.e., the employer) (Proudhon 1847/1888). The resulting "master"–"labor" relationship is consequently marked by an inherent "institutional inequality" (McKay 2017; Proudhon 1847/1888), an inequality exacerbated by the laborer's loss of autonomy, authority, and status within the workplace. According to Proudhon, "Machinery plays the leading role in industry, man is secondary," for the "workshop" is designed to serve "exclusively the interests of" "the wealthiest class," not that of the labor working within, he thus lays the foundation of class conflict (Proudhon 1847/1888).

Proudhon "understood that wage-labor results in the exploitation of labor," exploitation that occurs at the point of production (McKay 2017). Marx, however, in his response *The Poverty of Philosophy*, had developed the "thesis" that "exploitation" was linked to "exchange" or the sale of goods (i.e., not labor) (McKay 2017; Moore 1993). Therefore, where Proudhon's solution to rectify the widespread exploitation was to reunite workers with the means of production they use," Marx's was "ending exchange" as it existed within a capitalist market (McKay 2017; Moore 1993). Marx states:

> "Economic categories are only the theoretical expressions, the abstractions of the social relations of production" and that "Social relations are closely bound up with productive forces. In acquiring new productive forces men change their mode of production; and in changing their mode of production, in changing the way of earning their living, they change all their social relations." (Marx 1847/1955)

According to Moore, when "one mode of production" is changed and "replaced by another," all "relations of production are changed" (Moore 1993). If therefore, the capitalist "mode of production" is "exchange," it follows that eliminating "capitalist exploitation," which occurs through exchange, is possible only by "ending exchange" (Moore 1993). For both Marx and Proudhon, despite their differing views on the point at which surplus is generated, labor is critical to capitalism.

Labour is the sole source of wealth, for, it is through labor alone, where the goods of nature are combined, altered, and transformed into "elements of wealth" in a "proportion" that will "give the greatest amount of well-being" (Proudhon 1847/1888). Proudhon, however, did not believe that labor had measurable value (Proudhon 1847/1888). He states labor has value, not "as merchandise itself" but through the value of its *potential*, thus labor only "becomes a reality through its product" (Proudhon 1847/1888). Proudhon believed, therefore, that it is more accurate to say "the daily product of this man's labor is worth five francs" and *not* that the "man's labor is worth five francs per day" (Proudhon 1847/1888). In other words, he believed that is was the resultant commodity (which becomes capital) that held value, and that labor was simply means of producing that capital. Of this Marx states:

> "All M. Proudhon's arguments are limited to this: labor is not bought as an immediate object of consumption. No, it is bought as an instrument of production, as a machine would be bought. As a commodity, labor has no value and does not produce. M. Proudhon might just

> as well have said that there is no such thing as a commodity, since every commodity is obtained merely for some utilitarian purpose, and never as a commodity in itself." (Marx 1847/1955)

Marx counters that "labor, inasmuch as it is bought and sold, is a commodity like any other commodity" (Marx 1847/1955). As Marx's work matured, however, this view changed. Within *Capital,* he states "The purchaser of labor-power consumes it by setting the seller of it to work. By working, the latter becomes actually, what before he only was potentially, labor-power in action, a laborer" (Marx 1867/1887). According to Oakley, Marx later developed the idea propounded by Proudhon in his "concept of *labor power*" that "*as a commodity* labor produces nothing and it exists independently of and prior to the exercise of its potential to produce value as *active labor*" (Oakley 1981/2004; Proudhon and McKay 2011). On this topic of labor value, Marx goes on to say:

> In measuring the value of commodities by labor, M. Proudhon vaguely glimpses the impossibility of excluding labor from this same measure, in so far as labor has a value, as labor is a commodity. He has a misgiving that it is turning the wage minimum into the natural and normal price of immediate labor, that it is accepting the existing state of society. So, to get away from this fatal consequence, he faces about and asserts that labor is not a commodity, that it cannot have value. He forgets that he himself has taken the value of labor as a measure, he forgets that his whole system rests on labor as a commodity, on labor which is bartered, bought, sold, exchanged for produce, etc., on labor, in fact, which is an immediate source of income for the worker. He forgets everything. (Marx 1847/1955)

Marx's response, claimed McKay, "did not" at this point in time "understand the difference between wage-labor (selling your labor)" evident within capitalism "and commodity-exchange (selling the product of your labor)" (McKay 2017; Proudhon and McKay 2011). The examination of wage-labor within this chapter, however, has not yet considered one critical aspect, a "universally and absolutely true" principle: that "all labor should leave an excess" (Proudhon 1847/1888).

Perhaps one of the more significant outcomes of Proudhon's work (in relation to Marx) is the concept of surplus. A surplus of value is, in other words, profit (Proudhon 1847/1888). In order to construct an accurate understanding of Proudhon's theory of surplus value, it is necessary that we restate two key concepts that have been addressed within this chapter. First, labor does not have value, products have value. Labour is used to create products and thus create value. Second, wage-laborers have sold their labor and the rights to the commodities they produce to their employer. This means that in exchange for a wage, laborers work for the benefit of their master. Proudhon, "recognising that the worker was hired by a capitalist who then appropriates their produce in return for a less than equivalent amount of wages" and, ultimately, "located surplus value" in production (Proudhon and McKay 2011). According to McKay, Proudhon states in volume two of his, *The Philosophy of Poverty*:

> I have proven, in dealing with value, that every labor must leave a surplus; so that in supposing the consumption of the laborer to be always the same, his labor should create, on top of his subsistence, a capital always greater. Under the regime of property, the surplus of

> labor, essentially collective, passes entirely [. . .] to the proprietor: now, between that disguised appropriation and the fraudulent usurpation of a communal good, where is the difference? The consequence of that usurpation is that the worker, whose share of the collective product is constantly confiscated by the entrepreneur, is always on his uppers, while the capitalist is always in profit [. . .] political economy, that upholds and advocates that regime, is the theory of theft. (McKay 2017)

Labourers therefore, employed by a "master," must, during the course of their work, create value, either individually or collectively that exceeds their income (required for subsistence). This surplus value is appropriated by the capitalists (i.e., the employer) and considered "profit." Proudhon discusses the "collective man" or "collective force" within the context of surplus value to ensure *collective* value is considered (in addition to individual) for "collective endeavours produced an additional value," a value "unjustly appropriated by the capitalist" (Proudhon and McKay 2011). For while a single laborer may produce ten pins per day (to use Smith's example (Smith 1776/1999)) and receive $20 pay, ten laborers working together "uniting or combining their forces" may produce 4,000 pins in a day (Proudhon and McKay 2011). Therefore, the capitalists, while only increasing their labor costs tenfold ($20 × 10 workers), receive a production increase of over 400-fold. This exploitative practice of "expropriating" the laborers "surplus" can only be rectified, according to Proudhon, by paying each laborer not in wages but an amount "equivalent" to the "service rendered" (Proudhon and McKay 2011).

Marx's response to Proudhon's discussion on surplus value is largely critical of Proudhon's explanation and his mathematical calculations. Discussions on the concept of surplus or excess are largely tied to criticisms rather than the fundamental notion that as owners of the product of wage-labor, capitalists extract "excess" or "surplus" value through the production process (Proudhon 1847/1888). Marx's later theories of surplus, however, as will be discussed in the following section of this chapter, do bear marked similarities to the concept provided by Proudhon. For example, within *Capital*, Marx states that the "labor-process" undertaken in order to produce value has two characteristics: "First, the laborer works under the control of the capitalist to whom his labor belongs," and second, "the product is the property of the capitalist and not that of the laborer, its immediate producer" (Marx 1867/1887). He then goes on to say that capitalists aim to create "surplus-value" by producing a "commodity whose value shall be greater than the sum of the values of the commodities" (i.e., "the means of production and labor-power") "used in its production" (Marx 1867/1887).

Marx the Revolutionary: Communist Manifesto, Wage-Labour and Capital, and the British Rule in India

From condemning to commanding, Marx's work (aided by Engels) in the *Communist Manifesto* cemented his name in the history books (Marx and Engels 1848/2012). In 1848, the "history of all hitherto existing society" was a "history of class struggles" (Marx and Engels 1848/2012). The bourgeoisie and proletariat were at one point aligned in their objectives: fighting alongside one another in overthrowing the European feudal order of 1848 (Marx 1849/2010; Marx and Engels 1848/1969b). However, the alliance between the bourgeoisie and proletariat was short lived (Marx 1849/2010; Marx and Engels 1848/1969b). Divided by class, by interest, and by condition, the bourgeois and the proletariat soon after found themselves opposed in their "first great battle": the "Parisian insurrection of June 1848" (Marx 1849/2010). Ultimately defeated by the bourgeois, the proletariat's uprising, at least for a time, ceased (Marx 1849/2010). Generating traction in the wake of these political revolutions, Marx's and Engel's *Communist Manifesto* became one of the most widely spread political pamphlets of its era (Marx and Engels 1848/2012; Marx and Engels 1848/1969b). Aiming to create a history of their own design, Marx and Engels within the *Communist Manifesto*, called for the Proletariats of "all countries" to "unite" in common aim: to forcibly "overthrow" "all existing social conditions" (Marx and Engels 1848/2012). At the center of these aims was the "dissolution of modern bourgeois property" (Marx and Engels 1848/2012). The *Communist Manifesto* was developed in response to the rising class inequality and the poor conditions experienced by the working-class proletariat as a result of industrialization (Marx and Engels 1848/2012). Founded on a "single, unconscionable freedom – Free Trade," "modern industry" with machinery and workshops (i.e., organized labor) was, unlike the preceding feudal system, underpinned by wage-labor (Marx and Engels 1848/2012). Characterized by free competition, the bourgeois advanced technological means of production to levels previously unimagined (Berlin 1939/2013; Marx and Engels 1848/1969b). Development of "machinery," "steam-navigation, railways" and "electric telegraphs" paved the way for significant improvements in "productive forces" (Marx and Engels 1848/1969b). Within the "modern industry," however, workers were no longer *giving up* a portion of the produce of their labor power, as was the case with serfs under the feudal system (Marx and Engels 1848/1969a). For, proletariats, working under the bourgeois were paid (i.e., they *receive*), not a portion of their produce (i.e., the resultant capital) but a wage (Marx and Engels 1848/1969a). In other words, the proletariats were, as workers, reduced to selling "themselves" (i.e., their time) "piecemeal," as a commodity in order to live (Marx and Engels 1848/2012). While the ruling class, the bourgeois, were unable to "exist without constantly revolutionising the instruments of production," the working class, dependent on the bourgeois, were unable to maintain a standard of life defined by their skill or personal initiative (Marx and Engels 1848/2012; Berlin 1939/2013). Rather, the proletarians lived only "so far as the interest of the ruling class" required it (Marx and Engels 1848/2012).

Alleviating the condition of the proletariat was the central purpose of the Communist movement. According to Marx and Engels, achieving a Communist rule required the abolishing "private property," and the "right of personally acquiring property" as a reward for laboring (Marx and Engels 1848/2012). For, the fundamental condition giving rise to the bourgeois is the "formation and augmentation of capital," a condition only advanced through wage-labor (Marx and Engels 1848/2012). Eliminating the ability for labor power to transform into capital or the ability for "individual property" (e.g., labor power) to transform into "bourgeois property" (i.e., capital), therefore, eliminates "individuality" and gives rise to "common property" (Marx and Engels 1848/2012). The Manifesto, however, calls for more than just the abolition of private property. In fighting the "battle of democracy," social reform required centralization of a national bank, as well as communication and transport system; income tax reforms; more equal opportunities for securing work and greater parity of between the populations of town and country; publicly funded education; and an end to child labor (Marx and Engels 1848/2012). Each objective contributing to the overarching aim of dissolving "class distinctions" and establishing a public system of production (Marx and Engels 1848/2012). Within the *Manifesto,* however, Marx and Engels are not simply calling for the people of Britain to revolt but for the people of "all countries" with a bourgeois rule to rise up (Marx and Engels 1848/2012). Marx believed that the failed French revolution of 1948, was in part, attributed directly to the "leaders" "thinking that they would be able to consummate a proletarian revolution within the national walls of France, side by side with the remaining bourgeois nations" (Spagnoli 2010). The *Manifesto*, therefore, not only provides a road map of objectives vital to achieving the communist cause. It also acts as a call to action for *all* those in *all* countries supporting a "Communistic revolution" (Marx and Engels 1848/2012). Marx and Engels, within the Manifesto, did not aim to merely understand proletariat exploitation, they aimed to change it. Emphasizing the need for unity among the working class to achieve their desired "ends," Marx and Engels conclude the famed *Communist Manifesto* exclaiming, "Working men of all countries, Unite!" (Marx and Engels 1848/2012).

Recognizing the "ignorance and confusion" surrounding the working class's understanding of "political economy," in April 1849, Marx began to publish a series of news articles (earlier written as lectures) within the radical newspaper *Neue Rheinische Zeitung* (Marx 1849/2010; Berlin 1939/2013). Ultimately becoming what is today known as "*Wage Labour and Capital,*" these articles provided a means of educating the general public on the "history and principles of economic development" (Marx 1849/2010; Berlin 1939/2013). Within these articles, Marx explains economic relations and outlines key characteristics of the capitalist class and how it formed (Marx 1849/2010). Targeting the workers who could ultimately partake in the proletariat revolution, Marx aimed to explain the economic conditions of the time "as simply and popularly as possible" (Marx 1849/2010). Commencing with a discussion on wages, Marx states that wages are paid by the capitalist, to the worker, in exchange for a "certain period of work or for a certain amount of work" (Marx 1849/2010). It is not, however, the workers "labor" that is being bought (by the capitalist) and sold (by the laborer), but it is *labor-power* (Marx 1849/2010). Distinguishing between labor and labor-power, Engels explains that labor cannot be purchased, it must be performed. Therefore, it is not labor that is exchanged but labor-power (Marx 1849/2010). It becomes evident at this point that Marx's conclusion in *The Poverty of Philosophy*, that "labor, inasmuch as it is bought and sold, is a commodity like any other commodity," is incorrect (Marx 1847/1955). For, it is labor power which is a commodity, like any other commodity that can be bought and sold (e.g., sugar) (Marx 1849/2010). He goes on to say, however, that labor power is a unique commodity, for unlike others, (e.g., sugar) labor-power adds to the product during production a "greater value than it previously possessed" (Marx 1849/2010). Workers therefore, do not only produce products. They also produce capital: "values which serve anew to command" their "work and to create by means of it new values" (Marx 1849/2010). Within the "relation of capital and wage-labor," Marx states, "the interests of capitals and the interests of wage-labor are diametrically opposed" (Marx 1849/2010). Herein lies the root cause of conflict between the bourgeois and proletariat.

Despite existing within a "free market," workers are bound to laboring under a bourgeois rule. Perhaps, to illustrate the scope of the English bourgeois control and how their influence can shape a country, Marx wrote *The British Rule in India*, followed by *The Future Results of British Rule in India* (Marx 1951a, b). A country with inhabitants divided by religion, tribe, and caste, with no centralization, India was almost "predestined" to be a "prey of conquest" according to Marx (Marx 1951b). With his papers, Marx describes, "Indian society" as having "no history at all, at least no known history" (Marx 1951b). "What we call its history," Marx says "is but the history of the successive intruders who founded their empires on the passive basis of that unresisting and unchanging society" (Marx 1951b). The British, while not the first to "intrude" upon India, were the first to conquer it (Marx 1951b; Hegel 1899/2004). In conquering the land, the English had a "double mission" to fulfil: "one destructive, the other regenerating." They had to annihilate the "old Asiatic society" and then lay the "material foundations of Western society in Asia" (Marx 1951b). Britain's means of colonizing India was, therefore, to first destroy the "Hindoo civilisation ... by breaking up the native communities, by uprooting the native industry, and by levelling all that was great and elevated in the native society" (Marx 1951b). A vicious and barbaric undertaking in its own right, the destruction effected by the English found some reprieve. While India's "village communities" prior to colonization appeared "idyllic" and "inoffensive," under the surface their primitive culture was built on a foundation of "Oriental despotism" (Marx 1951a). The isolated communities, Marx said, with deeply ingrained religious beliefs "restrained the human mind within the smallest possible compass," "enslaving it beneath traditional rules, depriving it of all grandeur and historical energies" (Marx 1951a; Kumar 1992). Condemning, therefore, the means by which the bourgeois had overtaken the country and its people, Marx, reminds us that, "we must not forget that these little communities" before the English "were contaminated by distinctions of caste and be slavery, that they subjugate man to external circumstances instead of elevating man to be the sovereign of circumstances, that they transformed a self-developing social state into never changing natural destiny" (Marx 1951a).

Introduced to Western civilization and capitalism, the lives of Indians were forever changed. In colonizing India, Britain first established "political unity" (Marx 1951b). A unity that was "strengthened" by European's "electric telegraph," the "free press" and organization of a "native army" allowing the country, for the first time, to effectively fight off pending intruders (Marx 1951b). Private property emerged as a form of income (benefiting the British and former users) and education systems were established for the "Indian natives" (Marx 1951b). It was the introduction of machinery, however, that would cause the greatest change to Indian society. While steam power "brought India into regular and rapid communication with Europe" through the ports, it was the proposed "combination of railways and steam vessels" which would "annex" India to the "Western World" (Marx 1951b). Breaching the limitations imposed on exchange by the isolation of native "villages" and, where they existed, their "impracticable clay roads," the ability to transport via railway would expand irrigation and through it, farming land (increasing the countries yield) in addition to expanding the distribution range of supplies to include the isolated, the hungry, and the ill (Marx 1951b). Implantation of a rail network, however, would give rise to the need to improve the productive capacities of the county to a level which would "sustain the railway," at which point the rule of capital would be undeniable (Marx 1951b). India's culture, its purpose, and its people's way of life would be forever redirected toward the capitalistic objective of the English bourgeoisie. India's introduction to Western civilization through "Modern industry" (e.g., electric telegraph, steam) demonstrates the transformative power of a capitalist rule. And like the English proletarians, the Indian's will not "reap the fruits" of this capitalist system until one of two events transpire: (a) the English bourgeoisie have been overthrown by the "industrial proletariat" of Britain or (b) an uprising of "Hindoos" within the country wins power (Marx 1951b).

Marx the Economist: Capital

Expanding his fight against the bourgeois, Marx increasingly embraced economics as a tool of war. Capitalism in practice, according to Marx, is system of exploitation. Founded on class division, an underclass of people and a higher class – the working class laborers and the capitalists – capitalism was a system that saw the "majority" (i.e., proletariat) "work for the benefit" "of others" – their "oppressors" (i.e., the bourgeois) (Berlin 1939/2013). While the proletariat were the laborers physically expending their time and effort into the development of products and *creating* a surplus value, it was not they who received the produce of their labor but rather, the purchaser of their labor-power, the capitalist. As owners of the product created by the proletariat's labor-power, it is the capitalist who ultimately acquires any "surplus value" created by the proletariat in the subsequent exchange of the commodity in the "market" (Marx 1867/2013). It is the capitalist's seizure of this surplus value, created by the labor of the proletariat, that is the root cause of class conflict and the exploitation of workers. While Marx was not the first to discover the existence of a "surplus value," he is credited to be the first to have developed the concept (Tucker 1888).

In developing his concept of "surplus value," Marx's work represents a progression of classical economic thinking. Earlier political economists, including Ricardo, have examined the "notions of profits and rents" (i.e., the "surplus"). However, they did not investigate further its "origin and nature, or of the laws that regulate the subsequent distribution of its value" (Marx 1867/1887). Marx believed that what was lacking in the theories of earlier economists was a historical perspective

(Berlin 1939/2013). They assumed that "although social conditions may change, the laws that govern them do not" (Berlin 1939/2013). However, according to Marx, the characteristics of society, and thus "economic life," change in relation to the epoch being reviewed. Therefore one needs to identify the characteristics unique to the era under review (Berlin 1939/2013). For Marx, identifying the characteristics specific to the capitalist era (within a historical context), allowed him to create a "new system of concepts and definitions" relevant to the modern world (his modern world) (Berlin 1939/2013). One of these was the labor theory of value. Derived from classical economists including Locke, Smith, and Ricardo, Marx's labor theory of value was founded on the principle that the relative value of a commodity can be measured by the relative labor costs embedded in its production (Berlin 1939/2013; Wheen 1999; Davenport 1935/1965). Smith and Ricardo's concepts of value similarly posited that the value of a commodity was equal to the labor hours necessary to produce that commodity (Smith 1776/1999; Ricardo 1817/2001; Jevons 1871). While Ricardo noted that there were some commodities (e.g., "rare statues and pictures") "determined by their scarcity alone," for the remainder, he believed as Smith did, in an existing correlation between a commodities value and the labor embedded in its production (Ricardo 1817/2001). Marx, it appears uses a similar foundation for determining value. Providing an example of two commodities, "corn and iron," Marx highlights that at some proportion, these two commodities will have equal value (e.g., "1 quarter corn = c cwt. Iron") (Marx 1867/1887). He goes on to say "What does this equation tell us? It tells us that in two different things – in 1 quarter of corn and x cwt. of iron, there exists in equal quantities something common to both. The two things must therefore be equal to a third, which in itself is neither the one nor the other. Each of them, so far as it is exchange value, must therefore be reducible to this third" (Marx 1867/1887). For Marx, this third is labor, or more specifically, the commodity of labor-power (Marx 1867/1887; Prychitko 2002). As Marx had identified, labor was not a commodity, it was worker's *labor power* that was a commodity.

Value plays a central role in the capitalist economy. Like many political economists who came before him (e.g., Smith, Mill, Jevons, Ricardo, and Marshall), Marx recognized that value is defined by two characteristics: *use value* and *exchange value* (Ricardo 1817/2001; Mill and Laughlin 1885/2009; Jevons 1871/2013; Marshall 1890/1997; Smith 1776/1999; Marx 1867/2013). Marx, however, expanding on the classical definitions, claims to be the first to "point out and examine" this "two-fold nature of the labor contained in commodities" (i.e., use value and exchange value) (Marx 1867/2013). Marx's examination did not find, as Marshall's later did, that the exchangeable value of a good is relative (Marshall 1890/1997; Marx 1867/2013). For Marx, a commodity's exchange value is not "accidental" but rather is representative of the value of "human labor in the abstract" embedded in the materialization of the relevant quantities of goods (Marx 1867/2013). It is the "quantity of" homogeneous "labor expended on and materialised in" the "production" of a commodity that determines the commodities value in exchange (Marx 1867/2013). In other words, if 20 loaves of bread have the same value as one kilo of beef, it follows (according to Marx) that it must take the same value of "homogenous human labor" to produce the relevant quantities of both goods (Marx 1867/2013). It is the prefix "homogeneous" that is critical to Marx calculation of labor. For the value of goods do *not* increase in correlation with the *actual* quantity of labor hours embedded in a commodity. Thus, a good produced by idle or unskilled labor (i.e., more labor hours) does not have a greater value in exchange than the same product which is produced by efficient and skilled staff. For, according to Marx, the "value" of human labor congealed in a product is determined by an overarching system centered on theoretical calculations rather than actual. It is thus not the measure of *actual* labor time given to the manifestation of a good therefore that determines a commodities exchange value but the cumulation of what Marx terms, "the amount of labor socially necessary" "for its production" (Marx 1867/2013). This "labor time socially necessary" is measured by the time required to "produce an article under normal conditions of production," "with the average degree of skill and intensity prevalent at the time" (Marx 1867/2013). It is the fundamental concept of value formation that frames Marx's concepts of labor exploitation and the capitalist's capture of surplus value (Carey 2019; Cohen 1979).

Central to Marx's opposition to the capitalistic system is the extraction of surplus value from laborers. Surplus value is created in a capitalist economy when the "value of the product" is greater than the value of its constituent parts (i.e., "the means of production and labor power") (Marx 1867/2013). Capturing of surplus value, otherwise termed appropriating "unpaid labor," is a socially accepted process described as a "pervasive system of exploitation" (Carey 2019; Marx and Engels 1848/2012). The value of a new commodity is comprised of two component parts: constant capital and variable capital. The constant capital consumed in the development of a new commodity does not undergo any "quantitative alteration of value" (Marx 1867/1887) in ceasing to be a standalone exchange value and becoming an ingredient in a new commodity's value. The value of constant capital (e.g., raw materials, tools, and equipment) is "preserved" and transfers proportionally to the product thus is unable to be enhanced (Marx 1867/2013). *Variable capital* on the other hand – namely the value of labor power – "undergoes a metempsychosis" (Marx 1867/1887). As Marx discusses, labor power, unlike other commodities, has a unique ability not only to "preserve" its value but add "greater value than it previously possessed" to a commodity during production (Marx 1849/2010, 1867/2013). In the production process, labor "both reproduces the equivalent of its own value and also produces an excess, a surplus value" (Marx 1867/2013). It is this greater or "surplus" value added by the labor-power during production that is subsequently appropriated by the capitalist (Marx 1867/2013). While the *creation* of surplus value occurs during the production process, it is only upon exchange or sale of the commodity where it is seized in a monetary form by the capitalist (Marx 1867/2013).

In pursuit of accumulating capital, the bourgeois employ new ways to increase productivity. With the production of goods separated from demand, the capitalist, according to Marx, "Fanatically bent on making value expand itself" and thus "ruthlessly forces the human race to produce for production's sake" (Marx 1867/1887; Mandel 1967/1971). Capitalism thus has a contradictory characteristic. On the one hand, it aims to "reduce the labor time necessary for the production of each commodity," while on the other, "it sets up labor time as the only measure and source of wealth" (Mandel 1967/1971). Developments in mechanical devices within workplaces had a marked effect. Not only did machines improve the productivity of the workplace, enhancing output, they simultaneously decreased the labor time necessary for the production of commodities and thus, lowered the price of labor – the only means of sustenance for the proletariat (Mandel 1967/1971). Market competition, Marx identifies, brings another dynamic to the modern workplace (Berlin 1939/2013). For, the accumulation of capital is a twofold process. Not only do capitalists need to create surplus value within their production process, they must subsequently actualize this surplus through the exchange of the commodity (i.e., the sale of their good to consumers) (Marx 1867/1887). The growing production of goods, and "continual competition" between competing enterprises, sees capitalists compete for the consumer's business on the basis of price (Berlin 1939/2013). This sees capitalists decrease the wages of labor (i.e., a component of production cost) and "increase the working hours" of employees in an effort to reduce unit costs (Berlin 1939/2013). Improvements in the means and modes of production thus do not in the classic Marxist perspective directly benefit laborers in terms of their capacity to sustain themselves on their wage, an outcome that supposedly brings to light the enormous disparity between the conditions of the working class and that of the bourgeois.

Implications for Management History: Reflections

The study of management history would be incomplete without acknowledging the Marxist influence. For, as Berlin states, "Even if all" of the Marxist doctrines "specific conclusions were proved false, its importance in creating a wholly new attitude to social and historical questions, and so opening a new avenue of human knowledge, would be unimpaired" (Berlin 1939/2013).

Within Marx's work, capitalism centers on the relationship between two parties, the proletariat and the bourgeois. The bourgeois is defined as "the class of modern capitalists, owners of the means of social production and employers of wage labor" (Marx and Engels 1848/1969b). While the proletariats are "the class of modern wage laborers who, having no means of production of their own, are reduced to selling their labor power in order to live" (Marx and Engels 1848/1969b). Capitalism, therefore, centers on the relationship between the *owners* of production and the wage-labors who work for them. How then does management fit in? For Marx, the separation between management and owner, discussed in Vol. III of his book *Capital*, has no bearing on the fundamental nature of capitalist exploitation (Duménil and Lévy 2018). Marx acknowledges the existence of this third party in the capitalist mode of production saying, "Stock companies in general – developed with the credit system – have an increasing tendency to separate this work of management as a function from the ownership of capital, be it self-owned or borrowed" (Marx 1894). Marx then goes on to dismiss any notion that the involvement of management – an intermediary between the capitalist and worker – would disrupt the production process as it would occur under a capitalist. He states, the "manager who has no title whatever to the capital . . . performs all the real functions pertaining to the functioning capitalist as such, only the functionary remains and the capitalist disappears as superfluous from the production process" (Marx 1894). Management, therefore, replaces the capitalist in the workplace, performing the necessary duties as a "functioning capitalist" and thus influences no change on the fundamental system of appropriating surplus from wage-labor, that is capitalism (Marx 1894; Duménil and Lévy 2018). For as Marx says, "profit, hence surplus-value" is divided into two "individualised parts," "interest and profit" (Marx 1894). The "interest" is paid to the owner of capital, while the "profit" is "due to" the person "performing" the "capitalist" "function," the "functioning capitalist" (i.e., the manager) (Marx 1894). As such, the "division" between capitalist and management "alters nothing in the nature, origin, and way of existence of surplus value." (Marx 1894)

While Marx examines a real-world conflict, that between bourgeois and proletariat, he positions this conflict within a range of theoretical propositions (Adler 2011). Adopting a simplistic view of the capitalist function, Marx never really explored the reality of a workplace producing commodities. Growing up in a middle-class family (bourgeois), going on to become a student and then journalist, (in addition to writing and publishing) it does not appear that Marx had any significant experience as a wage-laborer (as defined by Marx) or with production processes (McKay 2017; Marx 1867/2013; Berlin 1939/2013). Discussion on workplace practices, therefore, could not stem from great practical experience. Accordingly, Marx's later concept of surplus value rests upon many suppositions. A "commodity" is a good produced for the purpose of exchange. Thus in order for production of the good to be undertaken by a capitalist, they must in the first instance "presuppose" that (a) the good will have an exchange value, (b) that the good's value in exchange will exceed its cost of production, and (c) that the good will have use value to the buyer equal to its exchange value (Marx 1867/2013; Adler 2011). If all three of these presupposed factors eventuate, there will, according to Marx, be a surplus of value created during production and realized during an exchange. However, what Marx does address, but fails to explore in any great depth, is what influence does a failure of *actualizing* surplus value (i.e., the exchange value does *not* exceed the cost of production) impose on a capitalist?

In examining this, we must first understand that Marx acknowledged this conundrum. He outlines that the transaction exchanging the produce of "labor power" (i.e., the product of labor power) is in no way linked to the transaction of purchasing labor-power (Marx 1849/2010). In other words, for the capitalist, two entirely independent transactions occur in the accumulation and realization of "surplus value" or profit. First, is the purchase of labor-power, (i.e., the capitalist engages a laborer to perform work) and in exchange for their labor-power pays a price to the laborer (i.e., wages). Second, as the owner of the product of the labors labor-power (e.g., a chandelier), the capitalist sells the commodity (i.e., the chandelier) to a buyer in exchange for a price. Marx asks, if, during the first transaction wherein the worker's labor power produced a product (e.g., a chandelier) worth $500, does this mean that the "laborers wages are a share of" (Marx 1849/2010) the value of the product created? Marx says, "By no means" (Marx 1849/2010). He states, "it is possible that the employer found no purchasers" for the product (e.g., a chandelier), or even in sale, the employer may "not get even the amount of the wages" embedded in its production (Marx 1849/2010). He says that it is only upon "Realisation of the surplus-value" where the capitalist is refunded for "the value that was advanced" in the commodities production (Marx 1867/1887). The purchase of labor power is for the capitalist, therefore, an independent transaction. The labor utilized in production of the product (i.e., chandelier) "has no more share in the product" than do the tools used in its production (Marx 1849/2010). According to Marx, "the value of a commodity is, in itself, of no interest to the capitalist. What alone interests him, is the surplus-value that dwells in it, and is realisable by sale" (Marx 1867/1887). This is a significant point of interest for a capitalist, or at least the "functioning capitalist." For, at a practical level, surplus value must not simply be created, it must be *realized* (i.e., it must find demand – or buyers *willing* to purchase the good for the price asked) in order for profit to be made (Marx 1867/1887).

Having engineered a critical and somewhat mechanistic view of capitalism's impersonal production processes, when examining capitalism, Marx saw misery and suffering. The rise of "modern industry," which saw "steam and machinery" revolutionize "industrial production," forged a new means and modes of production (Marx 1867/1887), the effects of which were Marx's primary concern. It was not the invention of machinery but rather the capitalist's *adoption* of machinery to improve productive capacities and decrease production costs that were the cause of Marx's concern (Smith 2012; Marx 1867/1887). Advancing machinery revolutionized the workshop. Despite the division of labor giving rise to the "greatest improvement in the productive powers of labor," Marx saw it destroying many "handicraft" operations: enterprises which gave out under the increasingly lower-priced machinery-produced items. As smaller businesses went to the wall, so Marx depicted a further centralization of capital in the hand of the minority (Marx 1867/1887; Smith 1776/1999). Enforcing "uniformity, order, and economy," modern industries also "turned out cheaper and better commodities." It was also the case that "huge workshops" enabled an "elaborate division of labor," widely decreasing the autonomy of a labors work (Marx 1867/1887; Marx and Engels 1848/1969b). It was not only workshops, however, that changed in response to the introduction of modern machinery. An "international division of labor" arose, seeing various parts of the world adopt the mechanical devices and begin engaging a specific form of industry most suited to their location (Marx 1867/1887). India, under the British rule, for example, produced cotton while Australia was "converted into a colony for growing wool" (Marx 1867/1887). Invariably, the produce of these outlying regions was exchanged internationally (Marx 1867/1887). Marx saw that it was the bourgeoisie who owned these capital assets and thus the "means of social production" (Mandel 1967/1971; Marx and Engels 1848/2012). As a result, Marx saw the proletariat's were wholly dependent on the bourgeois to purchase their labor-power (Smith 1776/2007; Marx 1867/2013). Living "only so long as they find work," the proletariat could only secure work if they utilized their labor power to increase the "capital" of the bourgeois

(Marx and Engels 1848/2012). For Marx, modern machinery facilitated the ongoing exploitation of the working class, by the bourgeois (Marx 1867/1887).

Capitalism, while founded on capital accumulation and class explication, was regarded by Marx as "historically progressive" (Bookchin 1973). Class division was not a characteristic unique to Marx's time (Marx and Engels 1848/2012). For all recorded history therefore, "mankind had been divided into exploiter and exploited." History *is*, therefore, class struggle (Berlin 1939/2013; Marx and Engels 1848/2012). What was fundamentally different during Marx's time, however, was freedom. Free markets and free people. Following the defeat of the feudal reign, the workforce became fundamentally different from those of the past. For workers, no longer slaves beholden to a master or serfs bound to a feudal lord (Marx and Engels 1848/1969b) were free to choose and change their occupation or place of work. In India, villages were liberated from the castes and slavery imposed under a despotic rule and provided with education, communication and transportation, capabilities previously unattainable (Marx 1951a, b). Under capitalism, a new working relationship had emerged. In a free market, labor power became a commodity that could be bought and sold. The ability to buy and sell freely, a condition born of industrial progress, brought with it progressive improvements in the "means of production and exchange" (Mandel 1967/1971; Marx and Engels 1848/1969b). Competition among the bourgeois gave rise to new technologies, new forms of communication and exchange (i.e., steam vessels and railway), improving the productive capacities of work and the ability to distribute the produce of labor more widely and across the globe (Marx and Engels 1848/1969b; Marx 1867/1887). Despite the ensuing "crises of overproduction" pushing society into a "state of momentary barbarism," there was a marked improvement in society's general condition and public wealth as a result of modern industry (Marx and Engels 1848/1969b; Marx 1867/1887; Mandel 1967/1971). The progression witnessed through free trade, machinery, and organized labor is thus attributable to the bourgeoise.

Conclusion

Marx's dynamic view of the capitalist regime is economically centered, focusing on interpersonal forces, namely, technology and division of labor driving its success. Free competition between the bourgeoise, coupled with rapid improvements in mechanical devices and the organization of labor, saw productive capacities increase and commodity prices plummet (Berlin 1939/2013; Marx and Engels 1848/1969b). Unable to compete with the low prices of "machine labor," many of those producing by hand were driven out of business and unto wage-laboring jobs (Marx and Engels 1848/1969b). Despite the capitalist mode of production "revolutionising" countries knowing no former progress, such industrial progression was marked by an "inefficient" system of political economy (Marx and Engels 1848/1969b). This inefficiency saw the "overt ill-treatment of workers, unfair contracts, poor conditions, wage theft, and open disdain for the dignity and independence of the working class amongst much of the wealthy elite" (Marx 1867/2013; Carey 2019). Identifying the oppressed nature of the proletariat, Marx dedicated his life to the working class, with the aim of overthrowing the bourgeois rule and creating a communist economy of shared public wealth. Envisioning a society in which competition was abolished and replaced "with association," under the rule of communism, no person would have "the power to subjugate the labor of other by means of" "appropriation" (Marx and Engels 1848/2012). Under a communist rule, "people who produced the surplus would also receive it and decide how to utilize it: collectively as a community" (Wolff and Resnick 2012).

Commencing his journey to Marxism, Marx's thoughts were developing during his "answer" to Proudhon in *The Poverty of Philosophy*. While his publication heavily criticizes the work of Proudhon and many of his concepts, there is no denying that certain elements of Marx's later works exhibit some fundamental similarities to Proudhon's work within *The Philosophy of Poverty* (Hoffman 1967; Proudhon and McKay 2011). Evident similarities in the origin of theories, however, do not deduct from the credit owed to Marx's for later *developing* the theories related to these concepts, including that of surplus value and class conflict (Hoffman 1967; Tucker 1888). Although Marx's work, his ideas, and his concepts advanced over time, evident during his earliest publicly published work, and spanning his career, is his belief that there exists a "struggle between the proletarian class and the bourgeois class" (Marx 1847/1955). Having identified the oppressed class of his time, the proletariat, Marx dedicated his life to their liberation (Berlin 1939/2013). He was determined to *change* the world.

Recognizing that a proletariat uprising is the mechanism through which he could drive social change, Marx calls the "working men of all countries" to "Unite!" (Haworth 2004; Marx and Engels 1848/2012). Critical of the capitalist economic system, Marx and Engels publication of the *Communist Manifesto* outlines the rise and conditions maintaining the modern world of capitalism (Marx and Engels 1848/2012). Opposing the exploitative practices characteristic of the system, and providing an outline of Communist objectives that would abolish the bourgeois rule and provide liberation to the proletariat, the *Communist Manifesto* went on to become "the most influential political pamphlet of all time" (Marx and Engels 1848/2012; Wheen 1999). Later identifying the lack of understanding surrounding the nature of the social conditions of the time, Marx endeavored to explain capitalism within a series of easy to read newspaper articles that would become *Wage Labour and Capital* (Marx 1849/2010). Despite never completing the series, what endured was a structured explanation of many of the key factors upon which private enterprise was founded and maintained. Directed at an audience of the working class – the exploited proletariat – Marx's work within these articles spanned from those common elements of the corporate structure known to many (e.g., wages), through to topics more economically focused, e.g., *Effect of Capitalist Competition on the Capitalist Class the Middle Class and the Working Class*) (Marx 1849/2010). Explaining the influence of the bourgeois from a different angle, the publications of *The British Rule in India* and *The Future Results of British Rule in India* give an understanding as to the power held by the bourgeois class (Marx 1951a, b). According to Berlin, "Misery is the complex result of ignorance." Marx therefore, in educating the public, expanding their knowledge and awareness of the issues central to capitalism and how to overcome them, supposedly provided hope (Berlin 1939/2013).

Moving his work toward the field of economic science, Marx published a "treatise on economic science" (Berlin 1939/2013). Marx's publication *Capital* failed to receive much in the way of positive reviews for a lengthy period following its publication. However, the content of its pages – reviewed, deciphered, criticized, and praised by many throughout its time – went on to become Marx's "major work" (Wheen 1999; Amin 2018). Laying bare the structure of capitalism, Marx reveals the "pervasive system of explication" upon which it is built (Carey 2019). Capitalism centers around the exchange of private property – the proletariat who "have only their labor to exchange" and the bourgeois who "exclusively" possess the means of production (Mandel 1967/1971; Marx and Engels 1848/1969b). Significant to the exchange of private property is the emergence of a surplus value created by labor. This surplus value is expropriated by the capitalist within the exchange of private property, an act which forms the root cause of exploitation and capital accumulation (Amin 2018). While earlier classical economists such as Smith and Ricardo were aware that in a capitalist economy, value was added during exchanges, they had not examined how this value was added. Marx's "discovery of the secret of surplus value" filled this void in knowledge (Carey 2019).

The discipline of management history owes in large part a shift in thinking, a shift in *how* social and economic questions are asked, to Marx (Berlin 1939/2013). Societal evolution is necessary. One stage in life is replaced by another, more advanced stages necessarily succeed the former (Spagnoli 2010). Advancement, however, does not come freely, for as history shows, there is always a class division, or as Marx and Engels state an "oppressor and an oppressed" (Marx and Engels 1848/2012). The capitalist mode of production, emergent from Feudal reign, saw free trade, free people, and free competition facilitate advancements in the means and modes of production previously unseen (Marx and Engels 1848/2012). Negatively, however, it was built upon an imbalance of power between the capitalist and laborer and thus founded on exploitation (Spagnoli 2010; Marx 1867/1887). Marxism helped "shape modern political thought" and the way society views capitalism (Haworth 2004). Marx gave voice to the proletariat. Alleviating the trials and tribulations of primitive culture, yet sentencing the masses to sustenance by work, capitalism for the Marxist is both a savior and a curse.

Cross-References

▶ Economic Foundations: Adam Smith and the Classical School of Economics
▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
▶ Indian Management (?): A Modernization Experiment
▶ Neo-classical Thought: Alfred Marshall and Utilitarianism
▶ What Is Management?

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Conflicting Understandings of the Industrial Revolution and Its Consequences: The Founding Figures of British Management History

19

Bradley Bowden

Contents

Abstract

The Industrial Revolution is a seminal event in the emergence of modern systems of management. It is also central to the British tradition of management history. Accordingly, this chapter is concerned not with the ideas about management that emerged in Britain during the nineteenth century, but rather with the emergence of the discipline of management history in Britain. If the very concept of the Industrial Revolution is primarily due to the posthumous publication of the lectures of Arnold Toynbee the elder (1852–1883), shifting understandings about the nature of British management have been built around profound disagreements as to the causes, duration, and effects of the Industrial Revolution. In the opinion of the American historian, John Nef, the importance of the Industrial Revolution of the eighteenth and nineteenth centuries is altogether overstated, Nef arguing that the success of nineteenth-century British managers is attributable

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to an earlier industrial relation in the sixteenth and seventeenth century. For some, such as E.P. Thompson, R.H. Tawney, and both Arnold Toynbee the elder and Arnold Toynbee the younger (1889–1975), the managerial order created by the Industrial Revolution was economically advantageous but socially retrograde. For others, notably John Clapham, Sidney and Beatrice Webb and, above all, Sidney Pollard, the Industrial Revolution was a socially liberating force. Only by understanding these debates can we comprehend the seminal ideas that have informed management history in Britain.

Keywords

Industrial revolution · Alfred chandler · The Webbs · Arnold toynbee · E.P. Thompson · Inequality · Real wages · Sidney pollard

Introduction

Management as an academic discipline and applied practice has long boasted a US flavor. In terms of management theory, there are few who have exerted a greater influence than citizens of the American republic (i.e., Frederick Taylor, Chester Barnard, Frank and Lillian Gilbreth, George Homans, Douglas McGregor, Peter Drucker, etc.) or citizens from elsewhere who plied their trade in the United States (i.e., Elton Mayo, Kurt Lewin). Among business historians, no one has been more influential than Alfred D. Chandler. In management history, the preeminent academic body, the Management History Division (MHD) of the Academy of Management, is not only a US institution, its leading office-bearers have until recently also traditionally been American. Of the people who have served as editor in chief of the re-established *Journal of Management History*, two (Patrick Murphy and Sean Carraher) have been American. The exceptions, David Lamond and myself, served as Chairs of the MHD, as did Murphy and Carraher.

If management history has long been a US-oriented discipline, it nevertheless remains the case that management's origins will always be associated in the popular and, indeed, the scholastic mind, with the British Industrial Revolution. In enunciating what has become well-established opinion, Arnold Toynbee (1976/1978, p. 565), for example, recorded that, "until the Industrial Revolution, the use of machinery ... was still rare. It now became normal." Yet, despite its central importance to the modern world, few of us stop to think where the concept of the "Industrial Revolution" came from. Nor do we tend to reflect on why this epoch-shaping event is typically dated between 1760 and 1830, dates that correspond to the accession of George III and the death of George IV rather than to any profound technological or managerial change. Among those who lived through what we think of as the Industrial Revolution, there was certainly an appreciation that they were witnessing transformative economic and social experiences. However, few if any understood this experience as an "Industrial Revolution" with clear start and finish dates. In their *Communist Manifesto*, written in 1848, Karl Marx and Frederick

Engels (1848/1951, p. 36), for example, spoke not of an “Industrial Revolution” but rather of a “constant revolutionizing of production.” To the extent that they put a date on this new economic order, Marx and Engels (1848/1951, p. 37) spoke of a bourgeois “rule of scarce one hundred years” (i.e., since c.1730). One also searches in vain within John Stuart Mill’s (1848/2004) *Principles of Political Economy* for any discussion of the “Industrial Revolution” and its transformative effects. Rather than pondering the exact circumstances that created the new industrialized world economy, Marx, Engels, and Mill more or less took its existence for granted, being more concerned with its *effects* than its *origins*. Yet, as we shall discuss, the intellectual provenance of the “Industrial Revolution” is neither assured nor unquestioned, the American historian, John Nef (1943, p. 1) declaring, “There is scarcely a conception that rests on less secure foundations.”

A decidedly British phenomenon, the concept of an “Industrial Revolution,” owes a debt primarily to British historians. Such accounts have typically – although, as we shall note, not universally – portrayed the Industrial Revolution as economically progressive but spiritually retrograde. E.P. Thompson (1963/1968, p. 217), for example, described it as a “truly catastrophic” event for English working people, in which they supposedly found themselves “subjected simultaneously to two intolerable forms of relationship: those of economic exploitation and of political oppression.” By contrast, for John Clapham (1926/1967, p. 567), the “family income” enjoyed by industrial workers in the 1830s was “not too hopelessly inadequate.” In terms of living conditions, Clapham (1926/1967, p. 39) observed a tendency to conflate the “worst” housing conditions of the Industrial Revolution with the “average.” While the conditions of the worst were, Clapham (1926/1967, p. 39) continued, “impossible to exaggerate,” it was nevertheless the case that, “In London and out of it, the skilled man, like the Durham miner, generally had a tolerable house or section of a house, and tolerable furniture.”

The purpose of this chapter is to comprehend how understandings of what has become known as the “Industrial Revolution” emerged and evolved around a number of “British” historians between the 1880s and the 1970s, scholars who constantly engaged with previously published studies in this peculiar field, supporting some arguments and contradicting others. It needs to be understood that this chapter is *not* concerned with the genealogy of managerial ideas during the Industrial Revolution (i.e., Owen, Babbage, Ure, etc.). This aspect of management’s history is well covered by my co-editor, Jeff Muldoon (▶ Chap. 20, “Certain Victory, Uncertain Time: The Limitations of Nineteenth-Century Management Thought”), in his chapter in Part 5 (*The Classic Age of Management Thought)* of this *Palgrave Handbook*. Rather, we are looking at the way in which the *discipline* of management history emerged from debates about both the nature of the Industrial Revolution and the fundamental features of “modern management.” It should also be noted that some of the historians that we consider “British” were “British” only by intellectual orientation or immigration, rather than by birth. John Nef (1890–1988), for example, was not only Chicago-born he also spent almost his entire career at the University of Chicago. Nef’s long career was directed, however, toward mainly British lines of inquiry, where he argued in favor of the transformative significance of an "early Industrial Revolution" between 1540 and 1640. Sidney Pollard (1925–1998), a management historian who, unlike Nef, did believe that *the* Industrial Revolution of the eighteenth and nineteenth centuries was a socially as well as economically progressive experience was an Austrian Jew, who anglicized his birth name (Siegfried Pollak) when he fled to Britain in 1938 to escape the Nazis.

Of the other historians whose ideas we highlight – Arnold Toynbee (1852–1883), John Clapham (1873–1946), R.H. Tawney (1880–1962), Arnold Toynbee (1889–1975), Beatrice Webb (1858–1943), Sidney Webb (1859–1947), and E.P. Thompson (1924–1993) – the reader faces evident confusion in our consideration of two Arnold Toynbees, the younger being the nephew of the first. Although the second Toynbee was not yet born when the first died at the age of 30, both were intellectually rooted in the reforming ethos of Victorian England, shocked by the contrast between the poverty and wealth around them. For both the older and younger Toynbee, as for Tawney and Thompson, the social consequences of the Industrial Revolution were altogether malevolent. As the older Toynbee (1884a/1894, p. 94) – who was largely responsible for the delineation of the Industrial Revolution as a unique historical event – expressed it, "The problem of pauperism" manifested itself "in its most terrible forms between 1795 and 1834." Prefiguring the subsequent rise of the environmental movement with its concerns as to climate change, the younger Toynbee (1976/1978, p. 17, 21) also believed that the Industrial Revolution led to a "wrecking" of the "biosphere," a process in which "demonic" greed and lust for material riches supposedly threatens to "liquidate" the entire planet. By contrast, Clapham and the Webbs viewed the effects of the Industrial Revolution more positively. The stance of Beatrice and Sidney Webb, the intellectual driving forces behind the British Fabian Society, is particularly significant. Whereas Thompson and other British socialists subsequently suggested that the Industrial Revolution led to a profound alienation of British workers from capitalist society, the Webbs argued that all most workers ever wanted was a greater share in capitalism's riches. Writing of the "New Model" unions that emerged during the 1850s, Sidney and Beatrice Webb (1894/1902, p. 223) accurately noted that their policy "was restricted to securing for every workmen those terms which the best employers were willing voluntarily to grant." In other words, they merely wanted less enlightened employers to grant the same wages and conditions as were already conceded by their "fair-minded" competitors. It was Pollard, however, who presented the most positive – if also most nuanced – account of the managers who shaped the Industrial Revolution. Yes, Pollard (1965, p. 258) agreed, the Industrial Revolution *did* take on the form of a "real class battle," a conflict in which managers struggled to transform an amorphous collection of ex-farmers and artisans into "the industrial proletariat of the large factories and mines." In waging this "battle," however, managers quickly discovered that the most important managerial attributes were "personal qualities," the "social skills" that allowed for the maintenance of "discipline without undue friction or severity" (Pollard 1965, p. 253). For, Pollard (1965, pp. 6–7) argued, the most significant characteristic "of the new capitalism" that emerged from the

Industrial Revolution, "underlying its ultimate power to create a more civilized society," was that it always dealt with legally free workers, ever capable of abandoning their post with all the attendant problems of staff turnover which that created for management.

Before turning to a discussion of the studies that have informed our understanding of Britain's Industrial Revolution, it must be conceded that the title chosen for this chapter, "The Founding Figures of British Management History," is in many ways a misnomer. Of those whom we consider, only Pollard would have regarded himself as a "management historian," a novel discipline that he himself did much to establish. Nef and Clapham would have considered themselves economic historians, a discipline that was also in its infancy when they wrote their seminal works. As for the Webbs, they are widely recognized as founding figures for yet another disciple: industrial relations. E.P. Thompson is arguably the most important labor historian who ever put pen to paper. The Toynbees, and R.H. Tawney, undoubtedly saw themselves simply as "historians." Despite this disciplinary diversity, however, all of the historians that we consider devoted their minds to the same basic problems. What was the Industrial Revolution? To what did it owe its origins? Were its effects positive or negative? Yes, it is true, that other scholars – Eric Hobsbawm, G.D.H. Cole, G.R. Porter, and William Cunningham – also sought answers to these questions. By tracing the debates and disagreements of the historians central to this chapter (the Toynbees, Tawney, the Webbs, Nef, Clapham, Thompson, Pollard), however, we can nevertheless comprehend how defining understandings as to the nature of "modern management" emerged from the historiography of the Industrial Revolution.

Finally, before proceeding, it is only fitting that I advise the reader as to my own prejudices and assessments as to the debates that we consider in this chapter. First, there is merit in Nef's (1932a, b, 1934, 1937, 1943) argument that *the* Industrial Revolution was only possible due to the achievements of an earlier English "Industrial Revolution" in the sixteenth and seventeenth centuries. As the subsequent research by Braudel (1986/1990), Cipolla (1981), and Allen (2011) has recognized, Nef's most important contribution is found in his demonstration of the significance of England's early exploitation of its coal reserves. In highlighting this point in his two-volume *The Rise of the British Coal Industry*, Nef (1932a, p. 322) recorded, "There was no parallel on the Continent for the remarkable growth in coal mining which occurred in Great Britain between 1550 and 1700 . . . the coal industry provided a fertile field for the growth in capitalistic forms of industrial organization." Endorsing Nef's fundamental argument – that modern forms of industrial management are premised on the transition to a high-productivity, energy-intensive economy – Robert Allen (2011, p. 380) similarly concludes in his study, "Why the Industrial Revolution was British," that all:

> . . . of the things that raised productivity in the nineteenth century depended on two things – the steam engine and cheap iron. Both of these . . . were closely related to coal. The steam engine was invented to drain coal mines, and it burnt coal. Cheap iron required the substitution of coke for charcoal . . . the railroad . . . was [also] a spin-off of the coal industry.

If Nef was correct in pointing to the Industrial Revolution's prehistory in the sixteenth and seventeenth century, there is also value in his suggestion that *the* Industrial Revolution should be dated from 1790 rather than the conventional date of 1760. For, despite the advances that had occurred in ironmaking from the time of the Middle Ages, England in the early eighteenth century remained an economy built on wood rather than iron. Indeed, in the opening decade of eighteenth century, England's annual production of cast-iron amounted to a miniscule 25,000 tons per annum, a tonnage that was little different to that produced a century earlier. In Nef's estimation (1943, p. 240), it was only with the perfection of new smelting methods in 1780 – techniques trialed with mixed success between 1710 and 1750 – that a decisive "turning point" was reached. Once more, Nef's pioneering research has been endorsed by subsequent studies. As Fig. 1 indicates, which annual cast-iron output on a decade-by-decade basis as collated by Philip Riden (1977), English production moved forward in fits and starts between 1710 and 1790 as iron-makers experimented with new techniques which – when perfected – led to unprecedented increases in the 1790s.

Where this author differs from Nef is not in his assessment of the *technological* innovations that underpinned the Industrial Revolution of the eighteenth and nineteenth centuries, but rather in his underemphasis of the *managerial* advances that turned technological potential into profitable economic reality. For, as is the norm among economic historians, Nef paid much attention to the *economic* factors of production but little heed to the *human* factors. A similar failing, albeit one manifested in a different guise, is also evident in the discussions of the two Toynbees and Tawney, each of whom expressed much concern for the spiritual well-being of workers without the benefit of much discussion as to the lived experience of these workers in either the workplace or the home. In this latter regard, the work of Pollard and Thompson and, to a lesser degree that of Clapham and the Webbs, is much

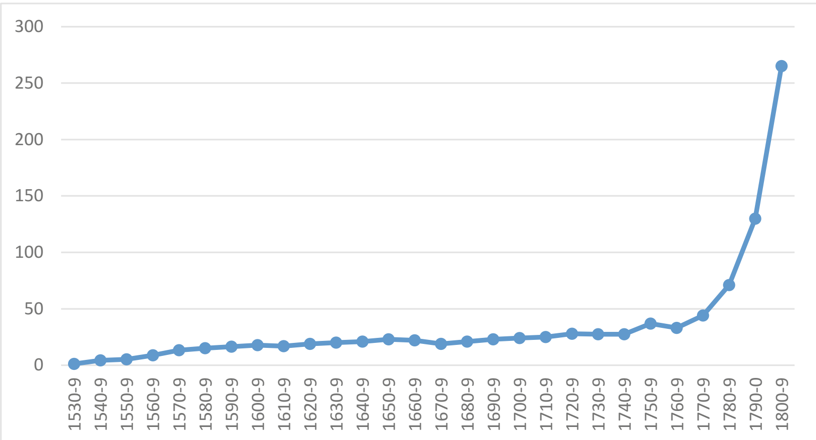

Fig. 1 Annual English cast-iron production, by decade, 1530–1539 to 1810–19 (in thousands of tons). (Source: Riden, "The Output of the British Iron Industry before 1860," pp. 443, 448, 455)

superior to that of Nef, the Toynbees, and Tawney. In the case of Thompson, a general hostility to capitalism and management existed alongside some of the most penetrating and profound insights into the problems experienced by managers during the Industrial Revolution. Nowhere is Thompson's understanding of the problems of management more evident than in his oft overlooked study, "Time, Work-discipline, and Industrial Capitalism." In this study, Thompson (1967, p. 61) makes the pertinent point that only with the Industrial Revolution and the widespread use of clocks does work-time become a measurable commodity, causing employees to "experience a distinction between their employer's time and their 'own' time." Despite Thompson's profound insights into the transformed nature of work in the Industrial Revolution, it is Pollard who best captures the central importance of the human factors in managerial travails and successes during this historic period. Of all the problems that Pollard identifies, none was arguably more significant than the creation of an entirely new social class of professional managers. As Pollard (1965, p. 104) accurately noted, "The concept of a 'manager', not even very clear today, had no fixed meaning at the time [of the Industrial Revolution], nor had related terms such as 'supervisor' and 'superintendent'." It was, however, only through the creation of a new class of professional managers – people attentive to markets, costs, recruitment, staff motivation, and retention, the technical problems of production – that the technological potential of the Industrial Revolution was realized.

"To Serve as Galley Slaves": The Toynbees and Tawney on the Industrial Revolution and Its Consequences

In concluding his final study into the Industrial Revolution and its consequences, published posthumously, the younger Arnold Toynbee (1976/1978, p. 578) argued that the uninterrupted advance of industrial civilization during the nineteenth and twentieth centuries had produced "increased productivity" at a terrible "spiritual price," causing workers "to serve as galley-slaves" at the behest of "the conveyor-belt and the assembly-line." In taking this stance, the younger Toynbee was not only following in his uncle's critical footsteps; he was also articulating the ethos of the Victorian middle class, a social cohort that Toynbee (1947a/1976, p. 29; Toynbee 1976/1978, p. 577) always considered to be the most significant force for social reform in the new industrial world. For, like all the historians that we are considering, other than Pollard and Thompson, the younger Toynbee was part of a generation that came of age before the First World War. Indeed, Toynbee (1947b/1976, pp. 15–16) noted in reflecting upon his own upbringing that, "my education was more old-fashioned than my mother's had been," his studies "at Oxford" based "almost entirely on the Greek and Roman classics." Convinced as to the moral superiority of the educated English middle class to which he belonged, Toynbee (1976/1978, p. 268) believed that the hope of humanity rested on the university-educated *intelligentsia* that imbibed its reforming values. It was "this Western middle-class – this tiny minority," Toynbee (1947a/1976) argued, which was the most important social force in the modern world, acting as "the leaven" that "leavened" the less well-educated "lump" of humanity. This moral evangelizing is arguably even more evident in the studies of the older Toynbee (1884a/1894, p. 58), who declared that his research into the Industrial Revolution was driven by a need to "lay bare the injustices to which the humbler classes of the community have been exposed." R.H. Tawney, similarly born and raised in the values of Victorian England, also declared himself part of "a generation disillusioned with free competition, and disposed to demand some criterion of social expediency more cogent than the verdict of the market." In his best-selling book, *Equality*, Tawney poured scorn on the idea – argued by John Maynard Keynes in *The Economic Consequences of the Peace* – that any person "of capacity or character at all exceeding the average" was capable of joining "the middle and upper classes" (Keynes 1920, p. 9). In enunciating what he called his "Tadpole" principle, Tawney (1929/1964, p. 105) declared the acclaimed social mobility of capitalism to be a thinly disguised fraud. For, among tadpoles, Tawney (1929/1964, p. 105) cynically observed, the fact that some "will one day shed their tails . . . hop nimbly on to dry land, and croak addresses to their former friends on the virtues by which tadpoles of character and capacity can rise to be frogs," changes nothing for the great mass condemned to "live and die as tadpoles."

Typically, the intellectual reputation of a scholar rests on the words that they write. There are two notable exceptions to this rule: the Swiss linguist, Ferdinand de Saussure, whose ideas profoundly influenced Jacques Derrida and other postmodernist theorists, and the older Toynbee, a scholar whose intellectual frameworks defined "classical" understandings of the Industrial Revolution. In both cases, their claim to fame rests on the efforts of their former students, who reassembled and published their lectures from notes and shared memories. Of the written legacy of Toynbee the elder, his widow, Charlotte Toynbee (1884b/1894, p. xxix), recorded that, "nothing was left by my husband in a form intended for publication . . .he neither wrote his lectures or addresses before delivering them, nor used any notes in speaking." Given Toynbee's preference for talking over writing, the enduring influence of his ideas is largely attributable to two of his former students at Oxford's Balliol College, W.J. Ashley and Bolton King. Working with a number of Toynbee's other former students, Ashley and King unselfishly acted as the unacknowledged editors for Toynbee's famed study, *Lectures on the Industrial Revolution of the 18th century in England* (see Toynbee 1884b/1894, p. xxxi, for a discussion of Ashley and King's role).

Although as Nef (1943, p. 2) observes, the term "Industrial Revolution" had been occasionally bandied about prior to Toynbee's lectures, its most common usage was found among the French, puzzled and curious as the strange events occurring on the other side of the channel. Central to Toynbee's defining depiction of the circumstances surrounding the Industrial Revolution was the belief that 1760 represented a total rupture in the human experience, an historical dividing line that separated an agrarian and artisan past from a mechanized future. Prior "to 1760," Toynbee (1884a/1894, p. 32, 38) advised his students, "none of the great mechanical inventions had been introduced," while in much of the countryside, "the agrarian system of the middle ages still existed in full force." From the outset, Toynbee (1884a/1894, p. 31) made it clear that his study was as much concerned with "proper limits of

Government interference" in a capitalist economy as with the "Industrial Revolution," *per se*. For, in Toynbee's analysis (1884a/1894, p. 86) the social problems of the new industrial society stemmed as much from "competition" and the "brute struggle" that saw "the weak . . . trampled underfoot," as from life in the new factories. Enunciating opinions that have since become commonplace, Toynbee (1884a/1894, p. 84) argued that the Industrial Revolution produced a "disastrous and terrible" decline in real wages that existed, "side by side," with "a great increase of wealth." The "result of free competition," Toynbee (1884a/1894, p. 84) continued, was also "seen in an enormous increase of pauperism," the "rapid alienation" of one social class from another," and "the degradation of a large body of producers."

In many ways, it was the social and educational "degradation" of the lower classes that most concerned Toynbee, a concern that was to be subsequently reflected in the writings of both his nephew and Tawney. For, in its "degraded" state, the industrial proletariat was, Toynbee (1884a/1894, p. 114) argued, incapable of moving "towards that purer and higher condition of society for which we alone care to strive." Accordingly, any State-directed interventions in the economy had to redress more than the poverty and social dislocation that Toynbee identified as inevitable consequences of the Industrial Revolution. Instead, the working class had to be provided with "better education and better amusements," so that workers and their families could better appreciate middle-class values based upon "moral restraints." For the younger Toynbee (1976/1978, p. 568), as well, the hope of humanity lay not in the industrial proletariat in whom Marx, Engels, and other socialists invested their aspirations, but rather in the middle class, most particularly the educated professionals "enlisted or created by governments to serve these governments' purposes." Due to their key position in the State bureaucracy, the younger Toynbee (1976/1978, p. 569) argued, the professional *intelligentsia* could guide not only the lower classes beneath it but also government itself, implementing an "independent line" directed toward "an increase in Man's spiritual potentiality." Similarly, for Tawney (1922/1938, p. 280), a church-going, self-declared Christian socialist, the fundamental problem with industrial capitalism was found in an abandonment of ethics as guiding societal principles in favor of "the idolatry of wealth."

Many of the propositions put forward by the older Toynbee – and subsequently pursued with vigor by the younger Toynbee, Tawney, and a host of social theorists and reformers – were neither novel nor profound. Toynbee's accounts of working-class poverty are inferior to those found in Engels' classic study, *The Condition of the Working Class in England*, a work in which Engels (1845/2010, p. 41) directly linked the condition of the "destitute millions" to the "property-holding, merchant class" who "systematically plundered" the created wealth of the nation. As a critique of industrial capitalism, Toynbee's *Lectures on the Industrial Revolution of the 18th century in England* hardly bares comparison to Karl Marx's (1867/1954) *Capital*, a work published 17 years before the collation of Toynbee's lectures. His account of the process of British industrialization is inferior to that found in G.R. Porter's (1836/1970) *The Progress of the Nation*, a book published long before Toynbee was born. Toynbee's discussions of the mechanics of management were inferior to those undertaken in Charles Babbage's (1832/1846) *On the Economy of Machinery and*

Manufactures, another work that was published before Toynbee was born. Admittedly, Toynbee did critically analyze Adam Smith's well-known condemnation of professional managers, in which Smith (1776/1937, Book V, Chap. 1, Article 1, para. 18) declared that wherever such people are employed, their activities lead not to greater efficiencies but rather to waste and mismanagement. In countering this assertion, Toynbee argued two proposals, neither of which were particularly profound. First, Toynbee (1884a/1894, p. 75) suggested that managers could be motivated to work more efficiently and honestly, "by giving them a share in the results of the enterprise they direct." Secondly, Toynbee (1884a/1894, p. 75) made the hardly original observation "that a big company" can typically employ better managers than their smaller competitors because they "can buy the best brains."

Weak as Toynbee's account of management and the Industrial Revolution was in many individual areas, its just claim for originality is found in its linking of Britain's social problems with a specific historical event (i.e., the Industrial Revolution) and to solutions that eschewed both free market economics and socialism. Unlike Adam Smith, David Ricardo, and John Stuart Mill, Toynbee (1884a/1894, p. 87) argued that "competition" was "neither good nor evil in itself" but rather an elemental force that "has to be checked . . .studied and controlled." Unlike Marx, Engels, and the other socialists of his time, Toynbee (1884a/1894, p. 151) rejected any "Communistic solution," preferring instead a middle-class controlled program of municipal reform, directed toward improved education, housing, and consumer cooperatives. As such, Toynbee's lectures were a manifesto for a reform-minded professional middle class, a group of people that put much greater faith in the State and their own supposed intellectual brilliance than they did in either markets or private-sector entrepreneurs. In the course of the late nineteenth and early twentieth centuries, such sentiments obtained ever-increasing levels of support within the British Liberal Party and, more particularly, the Labour Party.

Matters relating to culture and spirit, and the ways in which culture and moral behavior were supposedly degraded by the effects of industrial work and – more particularly – competition, were central to the studies of Tawney and the two Toynbees. In describing what he felt were the profound failings of studies undertaken by "economists," the older Toynbee (1884a/1894, p. 28) complained that the worker was regarded "simply as a money-making animal," an analytic approach that disregarded "the influence of custom," the cultural practices and values that working people had long held dear. For the younger Toynbee (1947a/1976, p. 34), as well, the problem with studies that emphasized economic efficiencies and "technological innovations" was that they ignored the "moral ugliness" that advanced side by side with industrialization. It was, however, Tawney's most influential work, *Religion and the Rise of Capitalism*, that provided the best researched, most insightful, and, arguably, the most misguided assessment of the presumed link between culture, capitalism, and management. The published product of a series of lectures that Tawney delivered at King's College, London, in March–April 1922, Tawney explored the same problem that Max Weber considered in his *The Protestant Ethic and the Spirit of Capitalism*, namely, the relationship between religious belief and economic and managerial success. In Weber's study, however – which was originally published in two parts (in German) in 1904–1905 but which only appeared in English translation after the completion of Tawney's work – both Protestantism and capitalism were perceived far more positively than they were in *Religion and the Rise of Capitalism*. In Weber's opinion, there was a clear and economically beneficial link between Protestantism – most particularly Calvinism – and individual and organizational success. In every Western European society, Weber (1905/1958, p. 40) argued, Protestants revealed "a special tendency to develop economic rationalism which cannot be observed to the same extent among Catholics." Among Protestants, Weber (1905/1958, p. 43) continued, Calvinists demonstrated "an extraordinary capitalistic business sense . . . combined . . .with the most intensive forms of piety which penetrates and dominates their whole lives." Together, Weber (1905/1958, p. 43) concluded, these attributes made "the Calvinist diaspora the seedbed of capitalistic economy."

By comparison with Weber's famed study, Tawney's *Religion and the Rise of Capitalism* is superior in terms of research and historical accuracy although not, it is arguable, analytic insight and justifiable conclusions. In terms of religious beliefs, Tawney (1922/1938, p. 139) correctly pours scorn on the idea that John Calvin and his immediate followers were admirers of capitalism, observing that Calvinism in its original form "distrusted wealth, as it distrusted all influences that distract the aim or relax the fibres of the soul." Tawney (1922/1938, pp. 92–93) also dismissed the idea that Catholics were unusual in lacking a "commercial spirit," noting that in the early modern world, "it was predominately Catholic cities which were the commercial capitals of Europe, and catholic bankers who were its leading financiers." Rather than it being the case that Calvinism helped create a new capitalist spirt, Tawney (1922/1938, p. 226) suggested the reverse was true. In other words, a capitalist spirit at odds with John Calvin's original preaching captured Calvinism. From such accurate historical observations, however, Tawney proceeded to some dubious conclusions. First and most significantly, Tawney (1922/1938, p. 271) argued that the intertwining of Protestantism and the new capitalist spirit was destructive "of ethical values," weaving "a perilous" emphasis on "pecuniary gain . . .into the very tissue of modern civilization." The result, Tawney (1922/1938, p. 280) added, was "the negation of any system of thought or morals which can . . .be described as Christian." That, in fact, the advance of capitalism was associated with political liberty, democracy, legal protection of both person and property, an extension of the franchise and mass literacy, is not acknowledged. Instead, Tawney harked back to a golden medieval age of dubious provenance, a world in which the Church regarded usury and other forms of lending and commercial activity as the domain of the morally bankrupt. Even though he acknowledged that attempts to restrain capitalist practices proved "impracticable" in the end, Tawney (1922/1938, p. 73) nevertheless held to the opinion that there was a "nobility" to medieval "moralizing" of "economic life." In short, one was supposedly better off in a society where the Inquisition suppressed dissident views than in a world where markets dictate economic outcomes.

If both the older Toynbee and Tawney regarded capitalism and its economic agents as morally bereft, the younger Tawney's condemnations arguably have the greatest resonance in today's world, a society increasingly fixated by environmental and climate concerns. Central to Toynbee's final work, *Mankind and Mother Earth*, is the belief that humanity, "by making the Industrial Revolution," had created "a threat that had no precedent," its industrialized behavior placing the planet's "biosphere" in danger (Toynbee 1976/1978, p. 566). Whereas before "the Industrial Revolution," human activity "had devastated patches of the biosphere," in the wake of the Industrial Revolution forests were cut down "faster than they could be replaced" (Toynbee 1976/1978, p. 566). By placing unprecedented demands "on non-replaceable natural resources," humanity faced an inevitable economic and environmental tipping point, in which the needs of a growing population outstripped available food and energy stocks (Toynbee 1976/1978, p. 566). It is interesting to note that the younger Toynbee's environmental concerns – which existed side by side with the moral repugnance of capitalism that he shared with both his uncle and Tawney – predated concerns about "global warming" and "climate change." It is also interesting to note that, as with most predictions of inevitable catastrophe in human history, all of the environmental concerns that worried Toynbee – a reduction in the forests, an exhaustion of mineral deposits, and an imminent food shortfall – have been contradicted by subsequent events. As Fig. 2 indicates – which traces changes in world population, crop production, livestock production, and total food production between 1961 and 2014, as well as changes in forest cover since 1991 – food production has grown in recent decades at a far faster rate than the increase in world population. Significantly, this increase has had little effect on the percentage of the world's landmass under forest, which has remained almost constant at approximately

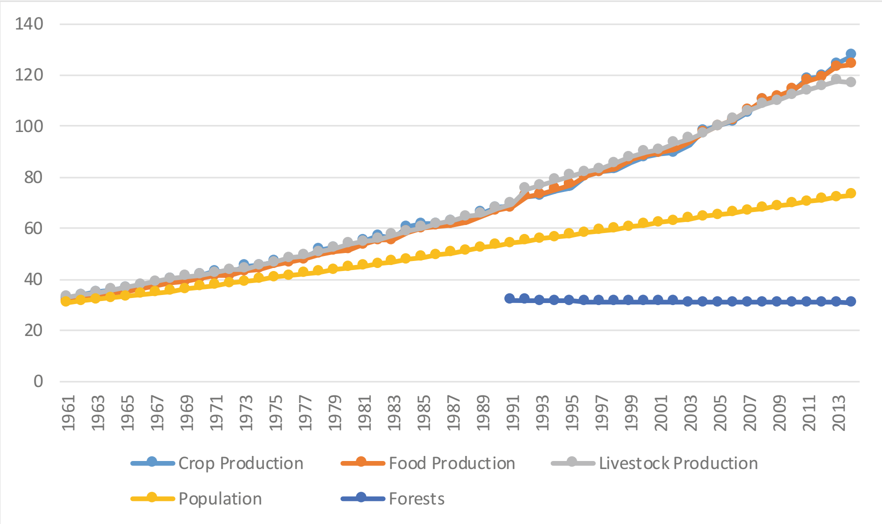

Fig. 2 Increase in world population and crop, food, and livestock production, 1961–2014 (2004–2006 output is index of 100). (Source: Calculated from World Bank, On-line Database: Indicators – Agricultural and Rural Development)

31%. Nor should we conclude that the mammoth increase in food output is only a First World phenomenon. Thus, whereas total world crop output grew by 392.7% between 1961 and 2014, the volume of production in the poorest and most indebted nations (found mainly in Africa) expanded by 421.3% (World Bank 2017). Human and managerial ingenuity, largely exercised in the free market societies that Toynbee condemned, have belied his expressed concerns.

"Learning and Public Life": The Contrary Intellectual Contribution of John Nef and John Clapham

A largely forgotten figure today, in 1941 John Nef was arguably the leading American economic historian of his generation. In the preceding decade, his articles in the British-based *Economic History Review*, as well as in his two-volume *The Rise of the British Coal Industry*, had punctured many of the assumptions that had prevailed since the publication of Toynbee's *Lectures on the Industrial Revolution of the 18th century in England*. Given his preeminent status, it is therefore not surprising that was chosen to deliver the keynote at the inaugural conference of the (American) Economic History Association in 1940, an address subsequently published in the first issue of the *Journal of Economic History*. In this address, Nef (1941, p. 5) made the pertinent observation that "learning and public life are locked together in a vicious circle," each informing and subverting the other in the contestation of ideas and policies. In this contestation, research only became meaningful when it managed "to guide the public on the basic and recurring issues of human existence." In order to meet this public obligation, Nef (1943, p. 4) reflected in a subsequent article, "The Industrial Revolution Reconsidered," it was "not enough" for the historian "to be in possession of a vast quantity of materials on some special aspect of history in some special period." Rather, historical research only becomes meaningful to the extent that specific historical events are comprehended in relation "to history as a whole." From Nef's perspective, there was no matter of greater historical and public importance than that relating to an understanding of the causes and effects of what we think of as the Industrial Revolution. In considering these issues, Nef consistently argued two propositions, both of which flew in the face of accepted wisdom. First, Nef (1943, p. 8) argued that "the conventional idea of the industrial revolution" had "interposed itself like a dense fog," blinding historians and the public alike to the fact that any economic and managerial transformation is only successful when it draws on established intellectual, technological, and institutionalized traditions. As noted in the introduction to this chapter, Nef believed that English industrial and economic success in *the* Industrial Revolution was only possible due to the effects of an earlier Industrial Revolution between 1540 and 1640. This was a period, Nef (1943, p. 11) successfully argued, when "the English nation," hitherto a European backwater, struck out "in new directions, economically, socially, philosophically, and artistically; directions different from those undertaken by most of the Continental peoples." Nef's second proposition – which shared commonalities with that of the two Toynbees and

Tawney – was that English society was a better place at the dawn of the (second) Industrial Revolution than at the end, identifying an "increasingly disharmony between very rapid industrial progress and the eighteenth-century civilization which made it possible." What Nef (1943, p. 27) admired most in eighteenth-century English society – a world he believed was destroyed by the very process of industrialization that it had fostered – were the norms of its aristocratic elite, values built around "ordered balance," "good taste," and a sense of moral and political restraint.

If Nef shared commonalities with the Toynbees and Tawney in his distrust of the social values of the new industrial world, on virtually every other point he was in profound disagreement. Whereas the older Toynbee (1884/1894, p. 84) associated the (second) Industrial Revolution with a "disastrous and terrible" fall in real wages – with the younger Toynbee (1976/1978, p. 564) similarly arguing that with the Industrial Revolution, factory workers "were barely able to subsist on their wages" – Nef argued a contrary position. Drawing on the work of the Australian economist, Colin Clark (1940), Nef concluded that as early as 1700, the "average" English citizen was enjoying unprecedented wealth, boasting a higher "command of economic goods" that obtained by the typical Italian, Russian, or Japanese citizen in the 1920s and 1930s (Nef 1943, p. 12). Even where wages did fall relative to food prices in the sixteenth century, Nef believed such costs were offset by new and cheaper consumables that stemmed from the "first" Industrial Revolution. In the mid- to late 1500s, for example, new techniques for making "small beer" (i.e., low-alcohol beer) brought a new source of "daily nourishment" into the household, at a time when drinking polluted water from wells and rivers risked disease and death (Nef 1937, p. 168). Implicit in Nef's analysis is the belief that that it is not industrialization that leads to an economic crunch where population outruns available resources, but rather the reverse: a failure to industrialize. For, as Nef (1937, p. 178) noted, pre-industrial societies boast little metal for ploughshares, hoes, axes, and other tools, an outcome that inevitably results in low levels of agricultural productivity.

On every one of the above points, recent research has endorsed Nef's findings. As Allen (2011, p. 364) notes, in the 1500s and 1600s it was only the commercial, industrializing societies of England, Belgium, and the Netherlands that avoided a "Malthusian" check, in which "real wages moved inversely to the population." By 1700, Allen's (2011, p. 362) research indicates real wages in London were probably the highest in the world, a finding that confirms Nef's earlier suspicion. Nef's belief that the "first" Industrial Revolution of the late sixteenth and early seventeenth century set England on a path to generalized prosperity that differentiated it from pre-industrial societies is also confirmed by the recent research of Broadberry and Gupta (2006). This is indicated in Fig. 3, which draws on Broadberry and Gupta's (2006, p. 6) collation of the daily grain wage – i.e., how many kilograms of wheat could a person buy if they spent all their wage on wheat or another grain equivalent – of unskilled workers in Southern England, Florence and Milan (treated together), and India between 1550–1599 and 1800–1849. Whereas real wages c.1600 were roughly the same in Southern England, Florence/Milan, and India – English wages

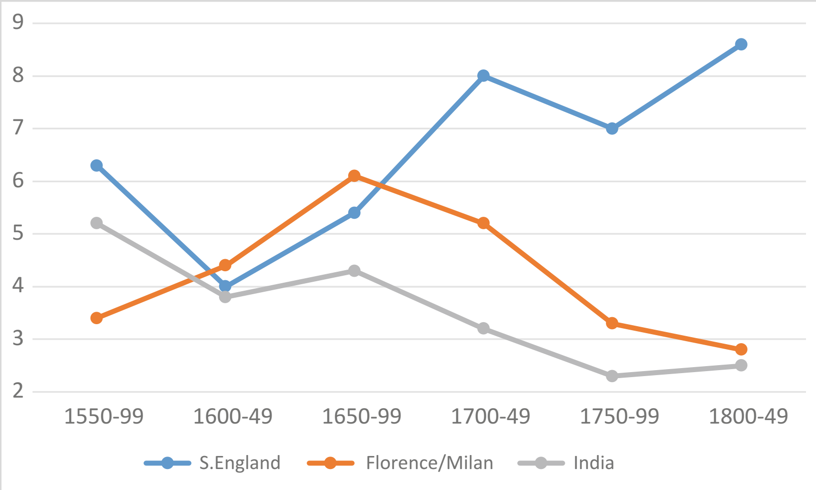

Fig. 3 Daily grain wage (kilograms of wheat) of unskilled workers, Southern England, Florence/Milan, and India, 1550–1599 to 1800–1849. (Source: Broadberry and Gupta 2006, p. 6)

having fallen during the sixteenth century in the face of rising population – from c.1600 the economic condition of the unskilled English worker began to diverge from that found elsewhere. While unskilled workers in Florence and Milan also enjoyed increased real wages in the early seventeenth century, this period of benign conditions proved short-lived, an outcome that suggests that there was something fundamentally different to English circumstances. Yes, it is true that there *was* a decline in English real wages in the late 1700s. However, this decline needs to be understood in the context of generally rising real wages. It is also probable that the short-lived dip in English real wages owed as much to the Napoleonic wars as it did to the social dislocation wrought by the Industrial Revolution.

In seeking explanation as to why from c.1600 the economic and managerial trajectory of England diverged from that of other societies, Nef paid greatest heed to England's shift "from a wood-burning to a coal-burning economy" (Nef 1934, p. 24). In doing so, Nef undoubtedly made his important intellectual contribution to what has become management history, highlighting the profound differences that differentiate pre-modern and modern forms of management. Whereas the younger Toynbee (1976/1978, pp. 565–566) associated the destruction of forests with industrialization, Nef's research highlighted the fact that the most destructive pressure on forests comes from population expansion in pre-industrial societies. For, while it is true, as Toynbee (1976/1978, p. 565) pointed out, that wind power and water power are "clean" and "inexhaustible," they are also unreliable. Streams run dry or freeze over. The wind stops blowing. Moreover, although medieval water mills could drive machinery, they could not be used for heating, cooking, firing bricks and pottery, roasting grains, and fermenting beer and in smelting metal. In the absence of coal, or of the peat reserves exploited by the Dutch in the early modern era, pre-industrial societies invariably place unsustainable demands on their forests; woodlands exploited not only for heating, cooking, and smelting but also for the construction of ships, bridges, workplaces, and homes. In China c.1100, for example, the use of wood-based charcoal in the manufacture of cast-iron placed such heavy demands on the forests that the Chinese rice region was turned into “a great clear-felled zone” (Jones 1987, p. 4). In Elizabethan England, when the English coal industry was still in its infancy, similar outcomes were apparent, Nef (1937, p. 180) recording that, “In county after county trees were felled in such profusion . . . that lands once thick with forests could be converted into runs for sheep and cattle.” As forests were depleted, the cost of wood became prohibitive. Between 1510 and 1640, Nef (1937, p. 180) ascertained, the price of firewood rose 11-fold. During the same period, the cost of high-quality wood, used in naval ship construction, rose 15-fold. So expensive did wood become that by 1650 its price came to comprise around half of the costs involved in constructing a building or ship, far outweighing labor or capital costs (Nef 1937:179). Having stretched forest reserves to breaking point, England avoided a profound economic and demographic crisis only by exploiting the nation’s cheap and plentiful coal reserves, Nef (1932a, pp. 19–20) estimating that England’s coal production rose from a minuscule 200,000 tons per annum in 1560 to almost 3 million tons in 1681. By 1790, an incredible 10 million tons was mined annually. Increasingly, it was this transition to a coal-based, energy-intensive economy that differentiated England from other European societies. In comparing circumstances in England around 1710 with its great continental rival, France, Nef (1943, p. 18) observed that, “Compared with the high mounds besides the collieries in Durham and Northumberland . . . the piles of coal besides the chief French pits resembled anthills.”

The rise of a large-scale commercial coal industry profoundly altered the conditions in which English managers operated as the effects of cheap coal rippled through the economy. As mines became larger and deeper, working beneath the water table, flooding became a problem. This demanded large-scale capital investment in pumps and machinery, driving out the small operator and turning the industry into a domain dominated by enterprises “conducted on scale which would have seemed incredible” to those born a generation or two earlier (Nef 1934, p. 10). The size of the coal mining workforces also had no precedent in English history, turning the coalfields of Durham and Northumberland into labor relations training schools. As Pollard (1965, p. 127) subsequently noted, in the (second) Industrial Revolution of the eighteenth and nineteenth centuries, it was the nation’s “northern collieries” that were probably the largest suppliers of managers to Britain’s expanding factories and mills. The English discovery of coke (i.e., a burnt residue of coal) as a substitute for charcoal also allowed for large-scale enterprises in a host of energy-intensive industries. For although, as we noted in our introduction, the use of coke in iron- and steelmaking was not perfected until the late eighteenth century, it soon became essential to the competitive advantage of English glassmakers, brickmakers, brewers, and potteries. Accordingly, Nef (1934, p. 22) estimated, by 1640 England boasted “hundreds of new, capitalistically owned enterprises,” employing tens of thousands of high-wage workers.

In making his case for the importance of the "first" Industrial Revolution, it soon became apparent that Nef exaggerated the size of many sixteenth and seventeenth businesses, Pollard (1965, p. 273, n. 7) subsequently referring to "the many doubtful methods by which Nef succeeds in enlarging the scale of early industrial enterprises." Nevertheless, Nef's assumption that it was England's substitution of an economy based on wood for one built around coal that best explains its role as an industrial pioneer *is* one that has been confirmed by subsequent research. Fernand Braudel (1986/1990, p. 521, 523), in reflecting upon France's inability to follow the English industrial and managerial lead in the eighteenth and nineteenth centuries observed that, "The problem, not to say tragedy, was that there were not enough French coalmines, and those there were proved difficult and costly to operate." Similarly, Cipolla (1981, p. 246), writing of the "timber crisis" that curtailed economic growth in Italy, records that in Genoa, the price of wood used in ship building rose 12-fold between 1463 and 1468. Across the Lombard plains of northern Italy, only 9% of the region's woodlands survived in 1555, an outcome that caused Cipolla to conclude that, "The main bottleneck of preindustrial societies was the strictly limited supply of energy." Through its early use of coal, England not only avoided this energy crunch; it also laid the platform for something unique in human history: industries that boasted an international cost advantage despite suffering high-wage costs. The reason for this unusual outcome, Allen (2011) notes, was that England was able to offset high costs in one area (i.e., wages) with low costs in another (i.e., energy). Indeed, Allen (2011) argues, it was the combination of high-wage costs and low-energy costs, which drove England in the direction of energy and capital-intensive production methods in lieu of labor-intensive techniques. Although, according to Allen's (2011, p. 364) calculations, the disparity between high-wage costs and low-energy costs made the problems of production and management in London profoundly different to those found in virtually any continental European center; this disparity was even more marked in the English coal towns: Newcastle, Sheffield, Birmingham, etc. For even though wages in these towns were marginally lower than in London, coal prices were far less. As a result, the incentive to industrialize was far higher in these coal towns than it was in London, a fact subsequently reflected in the geography of English industrialization.

Given Nef's association of industrialization with cheaper energy, higher wages, larger business entities, and economic growth, his disquiet with the results of the (second) Industrial Revolution appears odd at first glance. Nef was certainly unconcerned by changes in wage levels or social inequality. In his opinion, rising wages offset any adverse effects stemming from social inequality. He was also unconcerned by the effects of the transition to an energy-intensive economy on the environment, for the use of coal protected rather than depleted forest reserves. Rather, as a US citizen with a special fondness for Great Britain, Nef feared the rise of totalitarianism, which by the 1930s was all too obvious in Italy, Germany, Spain, Portugal, and the Soviet Union. For, in Nef's (1943, p. 13, 30) opinion, the great economic strength of such societies was manifest in evil, in "the concentration camp and the firing squad." Writing in the 1930s and early 1940s, Nef's fears were well founded. In today's world, a number of authoritarian societies – China, North Korea, etc. –

still use the powers unleashed by industrialization for the purposes of surveillance and the State control of dissidents. However, if there is one lesson of the twentieth century, it is that democratic, free market societies survive and prosper, whereas ultimately totalitarian societies do not.

In many ways, the career and intellectual interests of Sir John Clapham mirrored those of his contemporary, John Nef. A one-time President of the (British) Economic History Society, Michael Postan (1946, p. 56) said of him at his death that he embodied "the intellectual and moral virtues of the Victorian middle classes at their best – a head which was shrewd and cool, an outlook which was wholly unsentimental and a rule of life disciplined to the point of being hard." Even more than Nef, Clapham – whose contribution to economic, labor, and management history largely rests on his three-volume study, *An Economic History of Modern Britain* – was a firm believer that the Industrial Revolution profoundly altered the human condition for the better. "That the industrial revolution, with the attendant changes in agriculture and transport," Clapham (1926/1967, p. 54) reflected, "rendered the maintenance of a rapidly growing British population possible, without resort to the cabin-and-potato standard of life, is beyond question." For all the sanitary and overcrowding problems of Britain's industrial towns and cities, Clapham (1926/1967) nevertheless accurately noted that they were safer and healthier than any other large urban centers in the human experience. The British population rose sharply, Clapham (1926/1967, p. 55) observed, not because – as Thomas Malthus (1798), John Stuart Mill (1848), and the elder Toynbee (1884/1894) had assumed – of working class immorality and a high birth rate, but rather because the death rate fell, most particularly for the newborn. Among the factors contributing to longevity were immunization against smallpox, improvements in obstetrics, the disappearance of scurvy due to improved food supplies, and better urban drainage. The ready availability of cheap, washable cottons – in lieu of the soiled woollen clothes that were the historic norm – also contributed to a marked improvement in personal hygiene (Clapham 1926/1967, p. 55). "London might be honey-combed with cesspools and rank with city graveyards," Clapham (1926/1967, pp. 55–56) thoughtfully concluded, "but it was better to be born a Londoner than a Parisian, better to be born a Londoner of 1820 than a Londoner of 1760." Clapham (1926/1967, p. 52) also dismissed as a misnomer the view that British working class of the Industrial Revolution was sunk in ignorance and moral degradation. In doing so, he cited a French visitor to Scotland who reported, "In all the workshops and manufactories that I visited, I found the workmen well informed, appreciating with sagacity the practice of their trade, and judging rationally of the power of their tools and the efficacy of their machinery" (Dupin 1825, p. 52).

Like Nef, Clapham (1926/1967, p. 15) also noted the positive effect of industrialization on the area of land under tree cover. Under relentless pressure from Britain's pre-industrial population, Britain was by the eighteenth century virtually devoid of woodland, left with nothing other than "sandy waste heath, fenland, rough mountain pasture." From the 1780s, however, under the auspices of a newly established forestry commission, a process of systematic reafforestation commenced. By the 1820s, Clapham (1926/1967, p. 12) recorded, in areas long devoid of tree cover, the land was "sprinkled over with wood – coppice screen and clump of pine or larch or spruce."

If Clapham's research bares resemblance to Nef's in terms of macro-level conclusions, it differed in providing a far more nuanced and detailed picture of the process of British industrialization. Indeed, by paying far greater heed to the social consequences of industrialization, and to patterns of managerial organization, Clapham charted a fundamentally new course that placed management and workplace relations at the fore – rather than economic factors of production. This research direction, it appears, was not one much favored by other British economic historians. In the obituary to Clapham published in *The Economic History Review*, for example, the journal's editor, Michael Postan (1946, p. 58), declared Clapham's "third volume of the *Economic History of Modern Britain* is better than his first two." Presumably, what Postan did not like about Clapham's work was what he described as Clapham's propensity for "weed-killing" and for being "rooted too deeply in facts" (Postan 1946, p. 57). However, this attention to detail arguably made him Britain's first true "management historian." For Clapham was someone who looked beyond generalities about technology and steam power to explore circumstances at the firm level. In perusing the pages of Clapham's three-volume *Economic History of Modern Britain*, what stands out is how industrialization was continually advanced by innovations – typically involving a modest variation of past practices – at the firm level, adaptations that were then quickly seized upon by competitors. In Clapham's (1926/1967, p. 426) first volume, covering the period between 1820 and 1850, we thus read how in 1831 the small Scottish Calder ironworks ascertained that high-grade coal could be used in ironmaking without the need for coking. This discovery favored new firms over old-established rivals who had invested in now dated technology, a fact that led to a 20-year supremacy of Scottish iron smelters at the expense of their Welsh and English rivals. Similarly, in Clapham's second volume (1932/1967, p. 129) of his *Economic History of Modern Britain*, covering the period 1850–1886, we are taken through the process of subcontracting involved in English ship building in the 1870s. Elsewhere, Clapham (1926/1967, 1932/1967, 1938/1951) explores almost every aspect of agricultural, commercial, and industrial life: labor relations, home life, finance, technological change, transport, and communications.

Constantly, Clapham emphasizes the comparatively modest contribution of steam power and technology to economic growth during the first half century of the Industrial Revolution and, conversely, the importance of managerial endeavor and organization. As late as the mid-1830s, Clapham (1926/1967, p. 442) ascertained, the motive capacity of Britain's entire stock of steam engines amounted to a feeble 30,000 horsepower, almost all of which was found in three locations: Lancashire, Cheshire, and Glasgow. Although the vaunted cotton industry employed more workers than any other manufacturing sector, comparatively few employees were nevertheless found within the confines of a cotton mill. In 1830, Clapham (1926/1967, p. 54) calculated, the "cotton-mill population of Great Britain . . . was perhaps one-eightieth of the total population." Most British workers continued to work for small businesses and entrepreneurs, the "average" firm employing only 5.5 workers according to the British census of 1851 (Clapham 1926/1967, p. 70). London in particular was "the home of small businesses," Clapham (1926/1967, p. 68, 70) observing that in 1831, it "had no thousand-man businesses to keep up the average and plenty of craftsman-shops to keep it down." Where large-scale, industrialized businesses were established they were invariably on or adjacent to active coalfields. For nothing, Clapham (1926/1967, p. 42) reflected, was "more essential" to the viability of a large industrial enterprise or town than "a supply of coal at reasonable prices."

Where Clapham's analysis profoundly differed from those who had previously reflected on the Industrial Revolution – the elder Toynbee, Tawney, the Webbs, and Nef – was in effectively dating its commencement not from the 1760s (as per Toynbee) or the 1790s (as per Nef) but rather from the 1830s and the advent of the railroads. Reflective of this emphasis is the subtitle, *The Early Railway Age 1820–1850*, to the first volume of Clapham's three-volume book on industrialization. Yes, Clapham recognized, the advent of the railways depended on the *preexistence* of a whole series of preconditions: steam power, large-scale coal and iron production, a skilled engineering workforce, and large pools of private savings eager for new sources of investment. Nevertheless, in Clapham's estimation, it was the railroad and the steamship that profoundly altered the human condition, destroying local market monopolies and shattering the pre-industrial sense of space and time. Although English railroad developers anticipated that the bulk of their revenues would come from freight, it soon became apparent that passenger transport was more valuable, comprising 64% of gross railroad revenue in 1845 (Clapham 1926/1967, p. 400). Whereas, previously, most people lived and died within sight of where they were born, the coming of the railroad transformed people's physical and intellectual horizons. Far more than the mechanization of textile production, the backward and forward linkages created by the railroads profoundly altered economic and managerial relations, creating the largest and most capital-intensive private-sector organizations in the human experience. "At once effect and cause," Clapham (1926/1967, p. 425) noted, "railway development coincided with a development of metallurgy and mining quite without precedent." In every field of metal production, engineering, and mining, the needs of the railroads drove large-scale increases in production. In 1847–1848 alone, British railroads placed orders for 400,000 tons of iron running rails (Clapham 1926/1967, p. 428). Locomotives and rolling stock also placed huge demands on iron smelters, as did a booming export trade. Not only British railroads relied on the output of the nation's smelters and iron works. In France and the United States during the 1840s, all of the iron rails laid down were British made (Clapham 1926/1967, p. 427).

In essence, Clapham's thesis as to the central importance of the railroads in the process of industrialization closely resembles that subsequently – and more famously – argued by Alfred D Chandler, Jr. In Chandler's (1965, 1977) estimation, as with Clapham, the modern industrial world was first and foremost a product of the railroads. As Chandler (1977, pp. 79–80) expressed it, not only were the railroads "the pioneers in the management of modern business enterprise"; they were also "essential to high-volume production and distribution – the hallmark of the large modern manufacturing or marketing enterprises." Given the marked similarities between Clapham and Chandler's research, one would suspect that Chandler owed an intellectual debt to Clapham. This, however, does not appear to be the case. There is not a single reference to Clapham in either Chandler's (1965) original article on American railroads ("The Railroads: Pioneers in Modern Corporate Management") or Chandler's (1977) famed study, *The Visible Hand: The Managerial Revolution in American Business*. What explains Chandler's apparent ignorance of Clapham's work, given its close resemblance to his own? Part of the problem lies in the fact that, unlike Nef, Clapham rarely published in mainstream journals after World War I, a fact evident from the "Bibliography of Sir John Clapham's Work" appended to Postan's (1946, pp. 58–59) obituary piece. Instead, it appears, his massive three-volume *Economic History of Modern Britain* – and his (Clapham 1944/1966) two-volume study, *The Bank of England: A History* – consumed most of his time. Until their republication by Cambridge University Press in the mid-1960s, it would also appear that the readership of these books – originally published in the midst of economic depression and war – was small. The size of Clapham's books also probably deterred would-be readers. The first volume of his *Economic History of Modern Britain* goes to 623 pages. Volumes 2 and 3 comprise 554 pages and 577 pages, respectively. The greatest strength of Clapham's research – his capacity to explore in depth a variety of interrelated issues (labor relations, technology, firm size, managerial organization, technology, etc.) – was also a weakness. For, unlike Chandler's great study, *The Visible Hand*, where the theme and argument were relentlessly pursued, Clapham's books were – as Postan (1946, p. 57) remarked – "rooted too deeply in fact." One is easily drowned in the detail.

If Clapham's American readership appears to have been small, his work nevertheless remains seminal to our understanding of the Industrial Revolution and the transformative role that management played in this process of economic transformation. Certainly, one cannot fully understand the defining works in labor history by E.P. Thompson, and in management history by Sidney Pollard, without comprehending the ways in which they framed their arguments for and against Clapham. For if Chandler did not read Clapham, Thompson and Pollard certainly did.

Capitalism and Management: Exploitation or Opportunity? The Intellectual Contribution of Webbs and E.P. Thompson

Among historians who came of age in the 1970s and 1980s, as I did, arguably no work was more influential in the fields of social history and labor history than E.P. Thompson's *The Making of the English Working Class*. A Marxist – who abandoned his membership of the Communist Party after the Soviet invasion of Hungary in 1956 – Thompson's defining work provided a fundamentally different way at looking at the Industrial Revolution, and, indeed, history as a whole. Rather than writing history in terms of dominant intellectual currents, economics, finance, or politics, Thompson aspired to write a history "from below," from the point of the view of the supposed victims rather than the victors of the Industrial Revolution. In his brilliantly written six-page preface to *The Making of the English Working Class* – the only section of the book that one suspects most readers ever peruse in full – Thompson (1963/1968, p. 13) proclaimed, "I am seeking to rescue the poor stockinger, the Luddite cropper, the 'obsolete' hand-loom weaver, the 'utopian' artisan . . . from the enormous condescension of posterity." For Thompson, unlike Marx and Engels, the "working class" was not primarily the results of economics, but rather a cultural creation, the product of shared values and experiences. Accordingly, the English working class was, Thompson (1963/1968, p. 9) declared in the opening paragraph of his book, "present at its own creation." Rejecting the view that there were a multitude of "working classes" (domestic servants, farm laborers, factory workers, etc.), Thompson (1963/1968, p. 12) argued in favor of a single "English working class," who "came to feel an identity of interests as between themselves and as against their rulers and employers." Rather than highlighting the reforming instincts of the middle class, as the Toynbees and Tawney had done, Thompson argued that the British Industrial Revolution was a catastrophic experience for working people, imposed relentlessly and remorselessly. "The process of industrialization is necessarily painful," Thompson (1963/1968, p. 486) reflected, "But it was carried through with exceptional violence in Britain . . .Its ideology was that of the masters alone." Constantly detecting an undercurrent of revolution in English society, Thompson (1963/1968, p. 898) fancifully concluded that by "the autumn of 1831 . . . Britain was within an ace of a revolution." Although this revolt never eventuated, Thompson nevertheless argued that the Industrial Revolution created a host of "social evils" – workplace degradation, inequality, and power imbalances – "which we have yet to cure."

In many ways, Thompson's classic study suffered from the same strengths and weaknesses as Clapham's earlier three-volume *Economic History of Modern Britain*, a tendency to be drown the reader in detail. My Penguin copy of the 1968 edition, which differed from the initial print run only through the edition of a short "postscript," runs to 958 pages. Now, it is true that the political and social purpose of what is an aggressively Marxist analysis is self-evident in *The Making of The English Working Class*. As one early reviewer observed, "Mr. Thompson sticks very close to his theme" (Best 1965, p. 271). Nevertheless, its *intellectual* goal (i.e., the research opinions that it seeks to challenge and refute) is by no means readily apparent to the lay reader. Indeed, in my Penguin copy of *The Making of The English Working Class*, this is only articulated on pages 213–214, where Thompson (1963/1968, pp. 213–214) declares his work to be a "challenge" to "a new anti-catastrophic" historiography on the Industrial Revolution, an "orthodoxy" that emerged as a repudiation of the earlier "catastrophic" analysis of Marx and Arnold Toynbee. In taking aim of this "anti-catastrophic" viewpoint, Thompson (1963/1968, p. 214) lists "Sir John Clapham" in the first rank "among its most notable exponents." Thompson (1963/1968, pp. 226–227) took particular aim at Clapham's well-articulated argument that the Industrial Revolution – at least by the 1830s – was associated with a marked improvement in working-class living standards. Arguing in favor of the reverse proposition, Thompson (1963/1968, pp. 228–229) recorded that, "The condition of the majority was bad in 1790; it remained bad in 1830 ...even in the mid-40s the plight of very large groups of workers remains desperate."

Undoubtedly, this "catastrophic" view of the Industrial Revolution, and its associated systems of capitalism and management, does much to explain the enduring success of *The Making of The English Working Class*, a viewpoint that Thompson weaves into virtually every section of his book. The fact that few of Thompson's readers are probably familiar with the work of Clapham – or with the critical reviews (i.e., Best 1965; Chambers 1966) that emerged in the wake of the publication of *The Making of The English Working Class* – also no doubt adds to the continued prevalence of the "catastrophic" image of the Industrial Revolution. Alan McKinlay (2006, p. 95), for example, in an influential article in *Management & Organizational History*, declares the period of the Industrial Revolution to be "monstrous," associated as it was with "mechanization and the subjugation of labor." Now, of course, one *could* argue that the Industrial Revolution was associated with "subjugation" even though living standards rose. This was not, however, the path that Thompson chose to follow.

In retrospect, Thompson's decision to associate the Industrial Revolution with labor subjugation *and* falling living standards appears more than a little odd. For by the late 1950s, as we have noted in previous chapters, the findings of the International Scientific Committee on Price History – which ascertained the relationship between prices and wages since the early medieval period – were making their way into print. In Britain, the most significant result of this research was the so-called Phelps Brown and Hopkins Index, which traced the real wage of English building workers, both skilled and unskilled, between the thirteenth and twentieth centuries. While this Phelps Brown and Hopkins (1956) Index did identify the dip in real wages already noted in Fig. 3, it also identified 1800 as a fundamental turning point for real wages in Britain. After this date, as Fig. 4 indicates, living conditions for

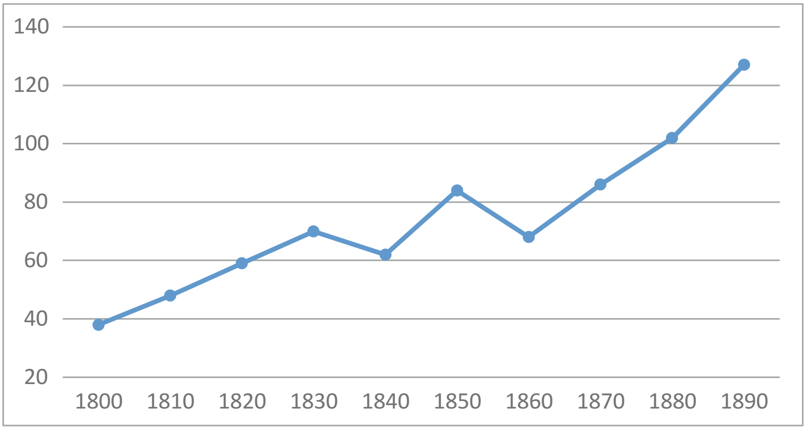

Fig. 4 Real wage of skilled building worker, Southern England, 1800–1880 (1447 = 100). (Source: Phelps Brown and Hopkins: "Seven centuries of ... builders' wage rates," Appendix B)

English workers were characterized by steady improvement, culminating in a level of mass prosperity without precedent in the human experience. It soon became apparent to Thompson himself that his arguments in favor of falling living standards were indefensible. In the "postscript" appended to the second edition of *The Making of The English Working Class*, Thompson (1963/1968, p. 917) chose to beat a retreat, declaring his chapter on "Standards and Experience" to be "clearly inadequate." Thompson (1963/1968, p. 917) also advised readers, in a confusing turn of phrase, to read instead "those economic historians whose assumptions are, in this chapter, under criticism." Presumably, this statement should be read as an acceptance as to the basic accuracy of John Clapham's earlier research, given that it was against Clapham that Thompson primarily directed his attacks. The problem with this concession – which was probably read by few people and understood by even fewer – is that Thompson's "catastrophic" viewpoint was not confined to a single chapter. Rather, it pervaded his whole book. A number of Thompson's other core assumptions are also without much merit. Of Thompson's constant identification of revolutionary tendencies among Britain's workers, Chambers (1966, p. 184) declares it "a really remarkable flight of fancy" as "there was not revolution to stop." Geoffrey Best (1965, p. 276) also declares Thompson's capacity to find a single united working class in industrializing England to be figment of the imagination.

Given the evident problems in Thompson's famed study, what makes it a foundation text for anyone attempting to understand management history? First and foremost – far more than Clapham or, indeed, any scholar before or since – Thompson forces the "human factor" constantly to the fore. Thompson constantly takes us into the workplaces and homes of English workers, some of whom enjoyed comparative prosperity and others undoubted misery. We get to know not only employers but also workers and their family members by name, to sit with them in their cottages and understand the detail of their work. For example, of the "heavy manual occupations at the base of industrial society" that were dominated by Irish immigrants (i.e., canal and railroad construction, tunneling, wharf laboring), Thompson (1963/1968, p. 473) observed that their work "required a spendthrift expense of pure physical energy . . . which belongs to pre-industrial labour-rhythms." In the case of the handloom weavers of "the Pennine uplands" whose historic mode of existence was being destroyed by the new industrial factories, we read how they lived on a diet composed almost entirely of "oatmeal and potatoes," supplemented with "old milk and treacle" (Thompson 1963/1968, p. 320). For all his Marxist sympathies, Thompson also showed an acute sense of the problems faced by managers. More often than not, Thompson willingly conceded, managerial demands for workplace discipline profoundly altered worker behavior for the better. Between 1780 and 1830, Thompson (1963/1968, p. 451) concluded, "The 'average' English working man became more disciplined, more subject to the productive tempo of the 'clock', more reserved and methodical, less violent and less spontaneous." Nowhere is this sympathy for the problems of management more apparent than in his article, "Time, Work-discipline, and Industrial Capitalism." As Thompson (1967, pp. 70–71) correctly noted, "accurate and representative time-budgets" – and hence any sense of workplace efficiency and cost-benefit ratios – are virtually impossible in pre-industrial situations. There are simply too many variables. Bad weather, the shortage of one or more input of production, illness to a household member, drunkenness, and the slow pace of a particular worker in the production process all worked to destroy any sense of predictability. The absence of watches and clocks also meant that most worked to the natural rhythms of the day, rather than to any sense of predetermined start and finish points. In Thompson's estimation, a viewpoint with which this author concurs, no managerial task was more important to the future of industrial society than the effort to internalize a sense of time and work discipline among workers. Through a host of initiatives – "the division of labour; the supervision of labour; fines; bells and clocks; money incentives" – a new approach to work was forged, centered on "a new time-discipline" (Thompson 1967, p. 90). Thompson (1963, pp. 452–453 was also unusual in identifying the ways in which the new industrial capitalism opened up unprecedented opportunities for women as "independent wage-earners," free from "dependence" on male relatives. "Even the unmarried mother," hitherto a virtual social outcast, found in factory employment "an independence unknown before."

Arguably, the greatness of Thompson's work, for all its obvious flaws and inaccuracies, is found in his recognition that the Industrial Revolution was built around "paradoxes," in which – even by his estimates – the opportunities often outweighed the social disadvantages (Thompson 1963/1968, p. 453). This sense of paradox, of industrial capitalism's opportunities outweighing its exploitative tendencies, is even more apparent in the work of Beatrice and Sidney Webb. It is also the case that, even though Beatrice Webb (d.1943) and Sidney Webb (d.1947) both died long before *The Making of The English Working Class* was published, their work is in many ways more "modern" than Thompson's studies. It constantly speaks to contemporary concerns such as productivity, the enhancement of workplace skills, female participation in the workforce, and a fostering of cooperative relationships between workers and employers.

Although the Webbs are typically associated with collective bargaining and trade unions, their concerns were in truth far more catholic. The starting point for the Webbs – as expressed in the "Preface" to the original edition of *The History of Trade Unionism* – was that in a "democratic State," social and economic interests only become meaningful to the extent that they are expressed institutionally, in "the course of continuous organizations" (Webb and Webb 1894/1902, p. xxvii). The primary significance of trade unions was thus found in the fact that they were "a State within our State," speaking on behalf of a special interest group that represented a large section of the population. In granting trade unions an important role, the Webbs were, however, never uncritical supporters. Unlike Thompson, who was at best equivocal in his attitude toward the productivity-enhancing activities of management, the Webbs were enthusiasts for productivity maximization and workplace efficiency. Trade unions only succeeded – and only played a socially beneficial role, the Webbs argued in the Preface to the 1902 edition of *The History of Trade Unionism* – when they associated the interests of their members with "the utmost possible stimulus to speed and productivity" (Webb and Webb 1902, p. xix).

Conversely, they argued, any union "struggle against . . . maximising productivity . . . must necessarily fail" (Webb and Webb 1902, p. xviii). Like Adam Smith (1776/1937, Book I, Chap. VIII, para. 13), who argued against artificial restrictions on the supply of workers, the Webbs "unreservedly condemned" any union attempt to protect one class of worker by excluding others or by artificially inflating the number to be employed (Webb and Webb 1897/1920, p. 810). Such restrictive practices, the Webbs declared, were "hostile to the welfare of the community as a whole" (Webb and Webb 1897/1920, p. 810). The Webbs also strongly supported managerial prerogative when it came to recruitment and promotion, advising their readers that, "It is clear that the efficiency of industry is best promoted by every situation being filled by the best available candidate" (Webb and Webb 1897/1920, p. 717). No doubt to the chagrin of the union leaders with whom they rubbed shoulders, the Webbs were also deeply suspicious of union-endorsed apprenticeship schemes, supporting them when they genuinely served the needs of industry and opposing them when they sought to artificially restrict entry into a trade or occupation (Webb and Webb 1897/1920, pp. 456–457, 478). In general, the Webbs believed that the apprenticeship system long supported by unions was "Undemocratic in its scope, unscientific in its education methods, and fundamentally unsound in its financial aspects" (Webb and Webb 1897/1920, p. 481). The Webbs were also fervent opponents of trade union attempts to restrict female employment, devoting a whole section of their classic study, *Industrial Democracy* to "The Exclusion of Women."

Critical rather than uncritical supporters of trade unionism, the Webbs nevertheless argued that trade unionism was a *potentially* progressive force for two reasons. First, they argued, the educated trade union leader – more than the individual employer – dealt with the most fundamental problems of an industrial society in that they had to consider matters from the point of view of an entire occupation or industry, rather than from the narrow viewpoint of the individual firm. For the problem "in each trade," the Webbs declared, was how "to adjust all the technical conditions of the contract of service, so as to combine the utmost possible productivity, and the greatest possible improvement in processes, with the maintenance and progressive improvement of the manual worker's "standard of life" (Webb and Webb 1902, p. xi). In other words, the Webbs supported unions where they supported productivity and living standards and castigated them when they did not. The second socially progressively role that the Webbs associated with trade unionism was in the enforcement of a "Common Rule," which acted to take "wages out of competition" by setting wage rates, worker hours, and "prescribed conditions of Sanitation and Safety" that were common to all in any given industry (Webb and Webb 1897/1920, p, 716). In their well-reasoned estimation, not only workers and trade unions benefited from the enforcement of a "Common Rule." So too did the reputable employer, intent on paying his or her employees fairly for a fair day's work, who was protected from undercutting by unscrupulous rivals. The Webbs also believed that a "Common Rule" worked to the benefit of the overall society by forcing employers to focus on more productive work practices rather than lower labor costs. As Sidney and Beatrice Webb (1897/1920, pp. 716–717) explained it,

> If the employer cannot go below a minimum rate, and is unable to degrade the other conditions of employment down to the lowest level . . . he is economically impelled to do his utmost to raise the level of efficiency so as to get the best possible return for the fixed conditions.

For management historians, the work of the Webbs deserves a special place in our discipline due to the ways in which they perceived employment, management, living standards, worker and employer interests, productivity, and training as an integrated whole. The "human factor" was for them always at the forefront of their attention, prefiguring the subsequent work of the US "human relations movement" (i.e., Elton May, George Homans, etc.). As such, their work has a contemporary resonance that exceeds that of any of the other scholars we have considered so far. Certainly, in my own research, whenever I come to consider some employment or labor relations issue, I invariably thumb my way through my well-worn copies of *Industrial Democracy* and *The History of Trade Unionism* before putting pen to paper. For whatever problem I am considering, it is likely that the Webbs have already written on it. Despite their deep and genuine interest in productivity and efficiency, however, the Webbs were at heart – like the Toynbees and Tawney – well-meaning Victorian moralists, intent on raising workers from their perceived poverty and degradation. Thus, we read in the "Introduction to the 1920 Edition" of *Industrial Democracy*, that the Webbs believed that, "the gravest" social evil "in the opening decades of the twentieth century is the lack of physical vigour, moral self-control, and technical skill of the town-bred, manual-working boy" (Webb and Webb 1920, p. xii). This problem primarily stemmed, the Webbs continued, from the fact that "hundreds of thousands of youths" were "taken on by employers to do the unskilled and undisciplined work," paid "comparatively high wages," but "taught no trade" (Webb and Webb 1920, p. xii). Devoid of any sense of long-term purpose or career, such workers invariably became, in the Webbs opinion, a source of "hooliganism," "constant delinquency," and "physical degeneracy" (Webb and Webb 1920, p. xii).

Invariably, the Webbs saw the ultimate solution to nearly every workplace, managerial and social problem in regulation, imposed either through collective bargaining or, preferably, under the auspices of State control. Among the controls advocated in *Industrial Democracy* were compulsory vocational education at the employer's expense, compulsory conciliation and arbitration of industrial disputes, a minimum wage, and the exclusion of "boy-labour where economically inefficient" (Webb and Webb 1920, p. xiii, xv; Webb and Webb 1897/1920, p. 453, 484, 790).

While any one of the above recommendations has arguable merit, a willingness to put one's faith in government and State control at the expense of entrepreneurship has often led in unfortunate directions. The Webbs – whose early research remains core to our understandings of work and employment – provide proof of this maxim. After being lionized by the Stalinist regime during a visit to the Soviet Union in 1932, the Webbs published two accounts of their visit, a two-volume book that ran to 1,200 pages, *Soviet Communism*, and a shorter, 30-page pamphlet, *Is Soviet Communism a New Civilisation?* (Webb and Webb 1935, 1936). Neither did them much credit. As with many visitors to the Soviet Union, the Webbs chose to see and record only those aspects of communism that coincided with their pre-existing beliefs and prejudices. Thus, we read how, "The highly organised trade unions of the USSR . . . are not only whole-heartedly in favour of increasing the productivity . . .but are also constantly pressing for the adoption of more and more labour-saving inventions" (Webb and Webb 1936, p. 8). Elsewhere, we read how "the habit of able-bodied persons living without work has become disgraceful" (Webb and Webb 1936, p. 7). In terms of the overall ethos of Soviet society, the Webbs reported that: "Husbands and wives, parents and children, teachers and scholars . . . managers and factory operates . . . live in an atmosphere of social equality" (Webb and Webb 1936, p. 11). In short, the Webbs claimed to detect almost everything that they had advocated in *Industrial Democracy*, although – in truth – two vital ingredients were missing, namely, democracy and managerial prerogative to direct production efforts toward market needs. Yes, it is true that Stalinist Russia did create a "new civilization," although it hardly resembled the one depicted by Sidney and Beatrice Webb. Instead, the reality of working life in the new Soviet "civilization" is well captured in Karl Schlögel's description of work on the Moscow-Volga canal between 1932 and 1938. "Working conditions were unimaginably harsh," Schlögel (2008/2012, pp. 283–284) records, "Everything hinged on finishing the canal in the shortest possible time . . . Workers went without lunch . . .They stood in water and swampy ground and were unable to warm themselves or dry their clothes." Perhaps there was in this a "Common Rule," a uniformity of working conditions such as that which the Webbs had advocated in *Industrial Democracy*. It was, however, a "Common Rue" set at the level of totalitarian barbarism.

Sidney Pollard and the Origins of "Modern" Management

The genius of Pollard primarily rests in the fact that he gave much thought to definitions before blundering forth, as many do in either amassing a huge data set or in coming to some grandiose conclusion. This proclivity to pay much attention to definitions is evident in Pollard's thoughts on the two most significant questions in management history. What is modern management? What was the Industrial Revolution? To the first question, as I, a critical disciple of Pollard, have also argued consistently in this *Palgrave Handbook*, Pollard (1965, pp. 6–7) drew a clear distinction between "modern management" and pre-modern management – and, by implication, that found in modern totalitarian societies – in that modern management had the following distinguishing characteristics:

- Managers had "to control" large workforces, "but without powers of compulsion: indeed, the absence of legal enforcement of unfree work was not only one of the marked characteristics of the new capitalism, but one of its seminal ideas."
- Managers "had not only to show absolute results in terms of certain products of their efforts, but to relate them to costs, and to sell them competitively."

- Managers had to combine capital-intensive production "with labour," transforming both "into instruments of production embodying the latest achievements of a changing technology."
- Managers "had to transform ... much of the rest of their environment, in the process of creating their industrial capitalism."

As to the nature of the Industrial Revolution, Pollard argued it was first and foremost a "managerial revolution" rather than a "technological revolution" and that modern management was both the creation and the creator of the Industrial Revolution. For the defining hallmark of the Industrial Revolution, Pollard (1965, p. 102) argued was not so much technological change as:

> ... improvements in organization ...involving better layout of factory space, division of labour, design of the product with the process of production in mind, interchangeability of parts, control of raw material stocking and supply.

Where Pollard differed from both Clapham and Chandler – both of whom associated the emergence of the modern managerial world with the advent of the railroads in the 1830s and 1840s – was in following the convention established by Toynbee the elder and dating the Industrial Revolution to the years between 1760 and 1830. Of little obvious importance, this difference in dates has profound significance for our understanding of both management and the Industrial Revolution. For – unlike the pre-1830 period – large firms, extremely high levels of capital intensity, and a need to draw on external sources of finance characterized the post-1830 era. By comparison, comparatively primitive machines that could be purchased and operated by entrepreneurs boasting little in the way of either capital or technical knowhow characterized the earlier period, most particularly the decisive years between 1760 and 1810. As Pollard (1989, p. 92) explained it, "In the early days of industrialization, the sums required for fixed capital in Britain were small, and could usually be raised locally or ploughed back by the firms themselves." In such circumstances, a firm's survival typically depended on superior managerial skills rather than the possession of a Boulton and Watt steam engine.

Certainly, for most successful firms in the early Industrial Revolution, ingenuity in the organization of work was typically more important than any productivity enhancement that resulted from new technologies. A case in point is found in the methods by which Josiah Wedgewood's revolutionized the English pottery industry, transforming it from a sector dominated by "small workshop-units" catering "for a narrow luxury demand" into the dominant force in the global market (Pollard 1965, p. 98). Yes, it was true, Pollard (1965, p. 98) conceded, that Wedgewood operated two steam engines at his pottery works "before the first Lancashire cotton mill had ordered one." Nevertheless, Pollard (1965, p. 99) concluded, the key to success was "a far reaching division of labour." In essence, Wedgewood targeted two distinct markets, a small luxury market catered for by "craftsmen of a high order" and a mass market that sold its wares on the reputation of the former. It was around this second production category, upon which the bulk of Wedgewood's fortune was built, that the "division of labour" was pursued to the fullest. For this type of work, painted decoration was undertaken not by skilled craft workers but by newly recruited women, who transferred printed designs onto unglazed surfaces prior to firing. Even in the famed Soho engineering works in Birmingham – which made the Boulton and Watt steam engines that powered early factories – Pollard (1965, p. 81) noted that the key to the firm's success was not so much its utilization of its own steam engines as the "organizational advantages" that followed from the division of labor.

Among the industries central to the success of the Industrial Revolution – mining, smelting, engineering, civil construction, and textiles – Pollard argued that the highly mechanized process of cotton spinning was atypical in a number of regards. For, Pollard (1965, p. 90) observed, the fact that entrepreneurs and managers in the cotton mills organized production around machines, more or less common to all, created unusual problems as well as benefits. Standardized machinery meant that "organization and management techniques could be copied without thinking," an outcome that also meant there was "much less scope for individual design, skill or new solutions to new problems." In turn, the inability of most cotton producers – other than those in a few specialized areas such as lacemaking – to distinguish themselves from their rivals through superior methods resulted in high levels of competition around a range of standardized products. This did much to ensure the cotton mills status as the ugly face of the Industrial Revolution. "It was an environment," Pollard (1965, p. 91) reflected, that encouraged "ruthlessness, not only to one's competitors, but also to one's employees." Where enlightened employer attitudes prevailed, such as at Robert Owen's famed experiment at New Lanark – an experiment whose ultimate failure is well covered in ▶ Chap. 20, "Certain Victory, Uncertain Time: The Limitations of Nineteenth-Century Management Thought" by Muldoon's – better working conditions were conceded not because the business concerned necessarily believed a more progressive attitude would be more profitable. Rather, the reverse typically applied, i.e., a business was more generous because it already enjoyed unusual profits. As Pollard (1965, p. 246) noted of Owen's operation at New Lanark, it boasted "a monopolistic position at the fine end of the spinning industry," a circumstance that ensured "exceptionally high" profits no matter what labor relations policy was pursued.

It is certainly wrong to assume that all circumstances in the Industrial Revolution led in the direction of similar labor relation outcomes or that the employment circumstances that prevailed in the cotton mills were applicable elsewhere. For, as Pollard (1963) discussed in an article entitled, "Factory Discipline in the Industrial Revolution," in the cotton mills the only real concern was with discipline and vigilance in carrying out a narrow range of routinized jobs, many of which were performed by children and adolescents. In consequence, labor relations in the cotton mills revolved around fines, dismissals, and even corporal punishment (Pollard 1963, p. 263). Such managerial behavior would have been suicidal in industries such as engineering and metallurgy, built around skilled workers. At the Soho engineering works, Pollard (1963, p. 261) records, whenever the temperamental inventor, James Watt, demanded the sacking of a skilled worker, the manager, Mathew Boulton, "quietly moved them elsewhere until the storm had blown over."

In emphasizing the atypical nature of cotton manufacture, Pollard – like Nef and Clapham before him – downplayed its overall significance in the Industrial Revolution, emphasizing instead the importance of mining, smelting, and engineering. Primarily concerned as he was with the emergence of a new class of professional managers, Pollard (1965, p. 127) believed the largest, most technically qualified reservoir of managerial expertise – a group without whose skills the Industrial Revolution is almost inconceivable – were the "coal viewers," the independent consultants who provided advice to owners as to the safe and profitable operation of their mines. Recruited out of coal mining to work in a host of new mechanized industries, the "coal viewers" rubbed shoulders with another important group of technically trained professionals: the civil engineer. Of the managerial circumstances of civil engineers in the 1770s, Pollard (1965, p. 130) observed that, "Those of any standing were supervising several works at the same time." As a new class of professional managers slowly emerged during the late eighteenth and early nineteenth centuries, a defining characteristic of the new vocation was the pioneering of what we think of as "cost accounting." "In the most advanced works," such as Boulton and Watts's Soho engineering work, "departmental accounts would attempt to keep the returns of departments separate, down to elaborate schemes for allocating overheads fairly and proportionately" (Pollard 1965, p. 222). Although estimates of costs were typically led astray by the difficulties in accounting for various "overheads" (i.e., capital depreciation, administrative costs, etc.), the significance of these efforts cannot be underestimated. For mindfulness as to costs, and the need to sell competitively into constantly evolving markets, was, ultimately, the *raison d'être* of the new class of professional managers.

As a management historian – rather than a business or economic historian – Pollard was, as is the norm in our discipline, more concerned about the supply side of the economic equation than the demand side. This differentiated his ideas from those of Clapham and Chandler, both of whom put a greater emphasis on the ways in which the railroads and steam-powered shipping created new mass consumer markets after 1830. For Pollard, the most important driver "from the side of demand" was not the consumer, but rather the supply side needs of other industries. Consequently, for Pollard (1958, p. 217) – unlike the Toynbees, Marx, Nef, Clapham, and Chandler – the key event in the Industrial Revolution, around which everything else turned, was "the emergence of an engineering industry," capable of creating and maintaining "the new equipment and the motors or engines needed by the first industries to be mechanised." From this central and indispensable core, Pollard (1958, p. 217) identified a ripple effect that fueled industrial take-off as the engineering industry fostered increased coal and iron production, improved transport, and enhanced managerial and employee skills.

In arguing his case for "the unique features of the transformation which began in Britain about 1760," Pollard (1958, p. 215) poured scorn on what he considered the unfortunate tendency "to describe every major technical innovation as yet another 'industrial revolution'." In making this comment, Pollard clearly had John Nef mainly in mind. However, he was evidently also unsympathetic to the view, advocated by Clapham and (subsequently) Chandler that the most significant change in managerial and human circumstances occurred after 1830 with the advent of the railways, telegraphs, and steam-powered shipping. Significantly, unlike all the other authors that we have considered in this chapter, Pollard was also little concerned with changes in real wages *during* the Industrial Revolution. For Pollard (1958, p. 221), “the substantial rise in real wages after about 1850” was an inevitable result of the new industrial, free-market capitalism, an economic order whose ascent would have been impossible without “forced savings” at the expense of labor during the 1760–1830 period. That many suffered was unfortunate but necessary, Pollard (1958, p. 221) concluding that,

> . . . those who battled for a larger share for the workers . . . were battling against the flood tide of a victorious economic development which needed, for a critical period, the greatest amount of output, and the lowest level of personal consumption, which could be imposed on the population.

How to assess Pollard’s intellectual contribution, which stands in opposition to the other authors we have considered on a whole series of points, yet which nevertheless provides a theoretical bedrock for the subsequent development of management history? Pollard is certainly correct in emphasizing that the Industrial Revolution between 1760 and 1830 was unique by comparison with anything that had gone before it. Yes, it is true that the large-scale exploitation of coal during the early “Industrial Revolution” of the sixteenth and seventeenth centuries – and the transition from a wood-burning to a coal-burning economy – provided a *precondition* for the Industrial Revolution of the eighteenth and nineteenth centuries, setting England on a fundamentally different course to that of any other European society. However, we should not exaggerate either the scale or the nature of the “early” Industrial Revolution. For, while the exploitation of coal fueled the expansion of a range of industries (brickmaking, brewing, glassmaking, etc.), the performance of work still revolved around largely unaided manual labor. To the extent that mechanical means were utilized, they relied on either animal power or unreliable water and wind power. If we can conclude, nevertheless, that Pollard probably understated the importance of the “earlier” Industrial Revolution in emphasizing the uniqueness of the subsequent Industrial Revolution, his tendency to downplay post-1830 developments is less defensible. For, as his study, *Britain’s Prime and Britain’s Decline: The British Economy 1870–1914*, makes clear, Pollard saw the changes that characterized Britain during the latter half of the nineteenth century in largely negative terms, as a squandering of the hard-fought gains of the Industrial Revolution by “a small financial and commercial elite” (Pollard 1989, p. 259). Yet, as Clapman and Chandler emphasized, the movement to a different form of industrial capitalism – characterized by large firms, highly capitalized industries, and patterns of investment that only large financial institutions made possible – can also be seen as an inevitable result of the forces unleashed between 1760 and 1830. In consequence, as I have argued in ▶ Chap. 12, “Transformation: The First Global Economy, 1750–1914”, the “Industrial Revolution” is best understood as a series of cascading revolutions, which had their pre-history in the “early” English “Industrial Revolution” of the sixteenth and seventeenth centuries and which produced a fundamentally different society and economy after 1750.

In assessing Sidney Pollard's intellectual contribution, we must conclude that his most profound insight was his realization that the success of free-market industrial capitalism rests primarily on people rather than machines, and on the managers who organize production and exchange rather than impersonal economic forces. Accordingly, the (second) Industrial Revolution of the late eighteenth and early nineteenth centuries – which in truth boasted comparatively few machines and very little in the way of mechanized horsepower – is best conceived as a "managerial revolution" rather than anything else. If those steeped in the "catastrophic" accounts of the Toynbees, Tawney, and Thompson no doubt believe that Pollard erred in paying sufficient heed to the oppression of the poor, we can only note that oppression of the poor has been common to all societies. As Braudel (1963/1975, p. 725) observed, prior to the Industrial Revolution, "The price of progress" was always "social oppression," a process in which, "Only the poor gained nothing, could hope for nothing." With the Industrial Revolution, however, the poor could genuinely hope for a better life, and, invariably, if not immediately than within a generation, those hopes began to be fulfilled as ever-greater numbers enjoyed a material plenty that was unimaginable to the peoples of pre-industrial societies.

Conclusion

In his study, *Memory, History, and Forgetting*, the French philosopher, Paul Ricoeur (2000/2004, p. 412), in countering the ideas of the American postmodernist, Hayden White, observed that "no one can make it to be that" the past "should not have been." In other words, the experiences of the past are not imaginings belonging to some mythical dreamtime, but actual occurrences that helped shape the present. The past is thus an ontologically real phenomenon, a process whereby real lived experiences create the present. Yet, it is also true that we can never experience the distant past directly through experience. Instead, we understand it through interpretation and historical reconstruction, a process that gives rise to intellectual debates and, ultimately, to academic disciplines that hold dear certain principles, methodologies, and understandings.

In management history, most particularly in Great Britain, the discipline largely owes its origins to the debates and controversies associated with the Industrial Revolution, debates that brought forth – as we have previously noted – two key questions. What was the Industrial Revolution? What is modern management? Ironically, defining understandings that still dominate much of the public consciousness are largely attributable to an Oxford scholar, Arnold Toynbee the elder, who died at the age of 30 without publishing a word of note. His ideas reconstructed from the lecture notes of some of his former students; it is to Toynbee (1884a/1894) that we owe the very concept of the "Industrial Revolution" as a unique historical event that occurred in Britain between 1760 and 1830. In Toynbee's estimation, the Industrial Revolution was not only a transformative event, it was also a catastrophic experience for most of the population, bursting with unexpected fury on a largely pre-industrial society. "The effects of the

Industrial Revolution," Toynbee (1884a/1894, p. 93) proclaimed, "prove that free competition may produce wealth without producing wellbeing. We all know the horrors that ensued in England before it was restrained by legislation and [trade union] combination." This "catastrophic" understanding of the Industrial Revolution, pioneered by Toynbee the elder, gave birth to a large and arguably still dominant historiography, boasting among its proponents three historians to whom we have paid special heed: R.H. Tawney, Toynbee the younger, and E.P. Thompson. For Tawney (1922/1938, p. 266), as for the first Toynbee, the Industrial Revolution was not only a source of suffering and inequality; it was also the product of a profound cultural shift, an alteration that saw Protestant religious beliefs and a "ruthless materialism" welded together in a dominant ideology "prepared to sacrifice every other consideration to their economic ambitions." In the opinion of Toynbee the younger (1976/1978, p. 564, 566), the industrialized world's propensity to burn coal, a "non-replaceable natural resource," instead of wood that could be "regenerated," posed dire threats to woodlands and the environment more generally. Among labor and social historians, the "catastrophic" historiography of the Industrial Revolution was reinforced by E.P. Thompson's *The Making of the English Working Class*, a work that depicted a "distinguished popular culture" at constant war with "the exploitative and oppressive relationships intrinsic to industrial capitalism."

On almost every point of substance, the "catastrophic" historiography of the Industrial Revolution has been in error. While it is true, as Toynbee the elder observed, that the Industrial Revolution of the late eighteenth and early nineteenth centuries *did* represent a profound transformation in the human condition its arrival was hardly unannounced. As the work of John Nef (1932a, b, 1934, 1937, 1941, 1943) demonstrated, due to an "early Industrial Revolution" between 1540 and 1640, England differed from other societies in making a transition from a wood-burning economy to a coal-burning society; a development that made pre-industrial Britain a leader in a range of energy-intensive industries. Contrary to the beliefs of the younger Toynbee (1947a/1976, 1976/1978), the burning of coal protected rather than diminished woodland and other nature reserves, leading to a gradual reafforestation of Britain. The work of John Clapham (1926/1967, 1932/1967) also exposed as myth the view that the Industrial Revolution caused a catastrophic fall in popular living standards, a point eventually (and begrudgingly) conceded by E.P. Thompson (1963/1968, p. 916). The idea that the English "working class" was united in their opposition to "industrial capitalism" was also shown to be a misnomer by Sidney and Beatrice Webb (1897/1920, 1902), who demonstrated that most workers and trade union members wanted to share in the benefits of capitalism, not overthrow it. In like fashion, Sidney Pollard (1958, 1963, 1965, 1989) revealed as spurious the understanding that the Industrial Revolution revolved around revolutionary new technologies, introduced *en masse* into the textile industry. In truth, as Pollard demonstrated, the "Industrial Revolution" was really a "managerial revolution," boasting the use of comparatively few machines.

If the "catastrophic" historiography of the Industrial Revolution was largely in error, it is nevertheless the case that the emergence of the discipline of management history in Britain can only be understood in terms of the fundamental debate that this historiography produced. In doing so, it shifted the debate from a focus on machines to the "human factor," causing a fundamental reappraisal as to the nature of "modern management" and its role as a transformative economic and social agent. If we look beyond the standard definitions of "management" (planning, organizing, leading, controlling), we can also ascertain some additional defining characteristics in addition to those put forward by Pollard (1965, pp. 6–7) and which we enumerated at the beginning of our previous section, entitled "Sidney Pollard and the Origins of Modern Management." For "modern management" differs from pre-modern forms of management not only in dealing with legally free workforces, and in using capital-intensive production methods to sell into competitive markets, but also in having the following attributes: that it operates within a system of legal protections for person and property, that it exploits energy-intensive production systems in which manual labor is replaced in large measure by artificial forms of energy, that is metal dependent in that it requires smelted metals for durable capital goods and consumables, and that it results in material abundance and standards of living unimaginable in pre-industrial societies.

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Part V

The Classic Age of Management Thought (Mid-Nineteenth Century Until 1939)

Certain Victory, Uncertain Time: The Limitations of Nineteenth-Century Management Thought

20

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to explore the beginnings of modern management by tracing the development of nineteenth-century management thought in Europe. I examine the lives of Owen, Babbage, Ure, and Fayol, noting both their contributions and the limitations of their thought in their historical context. My contention was that management did not really emerge as a distinct field of study until the time of Taylor. Namely that the industrial world was too new and thought to be a fad that limited the intellectual development of management. In addition, Ure and Babbage were polymaths, devoted to fields which limited their management contributions. Fayol was compared with Taylor, which limited his appeal, even though both men wrote about different aspects. Although there are themes of modern management in the work of Owen and others, various issues prevented them (either the limitations of their thought or other circumstances) from being the prime mover.

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Introduction

In 1886, Henry Towne, an American engineer, delivered a famous speech arguing for the need for management as a distinct field of study. Frederick Winslow Taylor would begin the process of management development – creating, according to Drucker, what would become America's most notable contribution to the world, besides the Federalist papers. The development of the division of labor supported by management provided escape from subsistence production. Prior to the twentieth century, most humans lived in conditions similar to the Stone Age. Starvation and depravation affected most people. The average life was short, working life brutish, and afflictions common (the quote from Hobbes [2002] was "poor, nasty, brutish, and short"). Abraham Lincoln lost three sons to early death – for conditions treatable today. Until the development of the steam engine, information moved as quickly as the quickest horse. Napoleon and Wellington received information at the same speed as Alexander the Great and Caesar did. Most people never left the area in which they were born. Sons mostly took on the professions of their fathers. Life was cheap.

Management created the economic conditions to alter this course, to create a new, modern world through encouraging the specialization of labor, costs reduction, increasing wealth, consumption, and wages. Management also allowed for the new developments, such as machines and steam engines, to improve. The telegraph allowed information to be sent quickly between different places. Lincoln did not have wait months, as did James Madison did, to know the success of his armies in the field. The development of canals, railroads, and roads lead to the development of massive markets in the United States and Great Britain due to the reduction of transportation costs. No wonder, when Samuel Morse sent the first message over the telegraph, it was "What God Hath Wrought." Morse's generation believed that the millennium was at hand (Howe 2007).

Yet, these developments caused as many problems as they solved. The commodification of labor meant that work was no longer done at home, necessitating new techniques to manage workers. Peasants moved from their native homelands to cities to find work. Tradition and religion were slowly washed away in the tide of progress. The question of coordination and management issues created the "Labor question" – how to manage this new class of laborers. There was the whiff of revolution in the air; France, Germany, Britain, Austria, and Russia faced revolt, destruction of property, and even rebellion. The United States fought a brutal and destructive Civil War.

To explore nineteenth-century management thought and the European contribution to the history of management, I have selected four thinkers, whose influence is continued to be felt to this day. The first is Robert Owen, one of the first socialists and promoters of social science as a solution to the problems of the industrial world.

Owen had a focus on human resource development. The next two thinkers are Charles Babbage and Andrew Ure, whose focus on machinery makes them some of the first scholars to examine operations. Owen, Babbage, and Ure, were targets of scorn in Marx's Kapital. Finally, Henri Fayol moved management beyond the shop floor to the boardroom, confirming his position as the father of strategic management.

There were many solutions to the problems caused by industrialization. Some, such as Robert Owen, wanted to take the best elements of the past and the best modern elements to create a new society. Others, such as Charles Babbage and Andrew Ure, loved the development of machines and hoped that the resulting increase of knowledge would lead to a general uplift of humanity. Henri Fayol, the most practical, sought to develop a theory of management that would provide managers with tools needed to manage labor relations. Each of these approaches had great promise, but management as a field did not emerge until the progressive era in the United States, with Frederick Winslow Taylor as the leader. The purpose of this chapter is to explore the strengths, limits, and contradictions of various nineteenth-century management thinkers. The contention is that the need for management was too new and that many people believed industry was a passing fancy. Each of these men, for one reason or another, found it difficult to gain support. However, each, in their own way, paved a way for future management research.

Robert Owen: Radical Reactionary

Robert Owen is a paradoxical historical figure. For some, such as G.D.H. Cole (1925), Owen is an idealistic figure attempting to create a harmonious society from the social wreckage of the industrial age. For others, such as Joshua Muravchik (2002), Owen was a wild eyed maniac, whose ill-begotten dreams inspired the ravaged twentieth century. Some view Owen as a nonpolitical figure who used social persuasion to transform society; others as the ultimate political operator. Many commentators see him as someone who fought the good fight against capitalism, religion, and status; others see him as a crank who practiced spiritualism and defended the paternalistic system of the South. He was an inspiration and target of scorn for Marx and Engels. He was a narcissist who deeply cared about humanity. He was a skeptic who attacked Christianity, but whose ideas flourished in a Christian culture. He was the industrialist who coined the term socialism. To some, he was a greatly respected figure, to others a figure of scorn. Most of his critics admire his intelligence and integrity. His admirers denounce his paternalism and his courting of elites.

These diverging viewpoints indicate the complex character of the man. Owen simply was a figure that had the ability to produce strong emotions. Owen's principal contribution was the development of socialism and the use of social science for managing society (Claeys 1986, 1987, 1989). He anticipated that the emerging capitalistic movement, the introduction of machines and scientific knowledge, would reorder society. Therefore, the old superstitions and institutions of society would disappear and it would be up to management to create cooperation – a belief shared by Elton Mayo. Yet unlike the incremental Mayo, Owen wanted to give birth to a new society and new man (Iggers 1959).

Owen's Ideas and Biography

Robert Owen was born in 1771 in Newtown, Montgomeryshire, Wales, to an ironmonger and small business owner. He was the sixth of seven children. Despite his family's wealth, he received only 2 years of education from 5 to 7 whereby he tutored the younger students for 2 years. At ten, his parents put him on the coach to London with forty schillings in his pocket. Owen worked a number of jobs moving up the managerial pyramid (Davis and O'Hagan 2010). When Owen was 21, Peter Drinkwater gave Owen the chance to manage 500 employees at his mill. After 2 years with Drinkwater, he found partners and started his new company, the Chorlton Twist Mills. Owen (Donnachie 2000) left Drinkwater because he was not interested in marriage with Drinkwater's daughter.

On a trip to Scotland, he met and fell in love with Ann Caroline Dale, the daughter of David Dale, a wealthy mill owner. To aid in the courtship of his ladylove, he offered to purchase Dale's mills at New Lanark. He noted two primary issues with contemporary management thought. The first was that very little attention was given to workers in comparison to machines. The second was that he was unable to find enough talented and sober workers who would not steal from the company or destroy property (Unwin 1922). When he went to New Lanark, he found that of the approximately 1800 employees, about 500 employees were indentured children, ages 5–10, who the company provided food, shelter, and clothing in exchange for work (Pollard 1963, 1964).

Therefore, he decided to make some various reforms. Owen not just managed the workplace; he managed nearly every aspect of their life, like other factory owners. In comparison with other factory owners, the conditions under which Owen's workforce labored and lived were much more humane. His company store provided better goods just above wholesale prices. He added a second floor to each home, stressed cleanliness, regulated alcohol purchases, and educated workers (Harrison 1967). He accomplished these goals without using either religion or harsh punishments. Contrary to many expectations, the workers became sober, cleaner, healthier, and more productive, profits soared as a result (Doheny 1991; Dutton and King 1982). Another explanation for Owen's success could be that Owens had a quasi-monopolistic position in lace-making. Yet, despite annual returns of 15 percent with about 5 percent of investment paid in dividends, his partners remained nervous. Accordingly, he found a new set of investors, including the noted philosopher Jeremy Bentham (Muravchik 2002; Wren and Bedeian 2018). Mostly, Owens greatest contribution was, as E.P. Thompson (1963) noted (p. 884), that "Owenism was the first of the great social doctrines to grip the imagination of the masses in this period, which commenced with an acceptance of the enlarger productive powers of steam and the mill."

After the end of the Napoleonic Wars, the widespread unemployment, rioting, and social upheaval convinced Owen to propose the development of village models based on New Lanark (Browne 1936). These villages would consist of 1200 people settled on 1200–1500 acres. The inhabitants would live in one single square building with a common room for the kitchen and other social gatherings. Parents would raise children until the age of 3, then they would be raised jointly by the community (Harrison 1969). Owen's ideal location was the United States because there was plenty of land. The other reason was religious – an irony in that Owen was a skeptic. The United States was in the throes of the Second Great Awakening, a period in which many American people, even President Adams, believed would usher in a period of plenty and peace called millennialism (Howe 2007). Millennialism was a fusion of the Enlightenment and the cosmos of biblical prophecy; one foot in the world of steam engines and the other in the Bible. Owen's Christian wife pointed out to him the overlap between his views and the Bible. He soon took to quoting scripture (Browne 1936).

Arriving in the United States, he lectured up and down the East coast, gaining attention from the most prominent religious leaders. He purchased land from a religious sect called the Rappites. About 800 people flocked to the new community, but they were mostly intellectuals and thinkers lacking needed skills (Van Cleave 1951). There were also problems with not having enough materials to build the homes. The fields and gardens had been neglected and there were hogs all over the place. Mostly, the community could not agree upon anything. Rather than opening a new world, New Harmony ended with a whimper. The community survived but in a different form than Owen's vision – at the expense of most of his fortune (Farrell 1938).

Owen returned to England where he found a friendlier welcoming then when he had left to start New Harmony. The repeal of the Combination Acts of 1824 allowed for the development of unions, and soon there was a burgeoning union movement called the Owenite movement (Claerys 1987). He continued to stress his beliefs toward socialism, setting up labor exchange where people could exchange labor time for labor notes. The movement gained momentum with middle class joining because of the Reform Bill of 1832. The outcome of this was the Grand National Consolidated Trade Union, a gigantic union that spanned the country with 500,000 members (Muravchik 2002), but the movement broke down fighting. Owen died in 1858 still a respected executive, but one who various communitarian endeavors had failed (Muravchik 2002).

Owen was both a rationalist and a romantic, a mix of the eighteenth and nineteenth century. His Enlightenment beliefs were deism, reason, associationism, and rationality. Ignorance and superstition caused most problems; science was the solution (Harrison 1967, 1969). Owen was also a romantic. The Romantic Movement stressed that nature could be conquered especially by the individualistic genius, which Owen, with great justification, believed himself to be. Technology and progress would create an abundance through the conquest of nature. Owen's romanticism and amazing ascent from poverty to wealth and admiration activated his narcissism (Harrison 1969).

His political beliefs, a combination of both rationalism and utopianism, have confounded historians over the years. E.P. Thompson (1963) noted that Owen did not care, place much thought in, or action in the nature of politics. Preferring, as his biographer G.D.H. Cole noted, economic determinism over politics as a focal point of change in society. He was also involved in various reforms in Parliament, despite his dislike for political expediency. He spent time trying to gain patronage from the intellectually gifted and politically powerful in both the United States and Great Britain. Both of which suggests pragmatism. As Claeys (1987, 1989) argues, Owen was a Tory, if we define Toryism as the politics of the unpolitical. Owen was also a radical, noting reform would fail as institutions were inert. Revolution would come from example, not violence. The Luddite movement shifted his views to voluntary reform through communitarianism. Some actually thought he had gone crazy. Owen's interest in the United States was his belief that institutions in the United States were more plastic (Bestor 1970). Owen encouraged factory owners to do the same as he did, settling upon the complete overhaul of society, eliminating almost everything that made British and American societies unique: free labor, division of labor, and capitalism (Calhoun 1993; Cole 1925).

Likewise, Owen's opinions on slavery have confounded scholars for many years scholars who have puzzled over his defence of slavery. Also causing puzzlement is the contradiction between Owen's enlightenment values and his views on slavery. Yet, contemporary observers noted similarities between Owen's and the slave system, such as Robert Wedderburn, a child from a slave mother. Owen articulated a paternalistic system similar to that of the slave owners, seeking to create protective structures from market forces. Slave owners compared their system of labor to the Northern version of free labor and noted that they provided slaves with cradle to grave protection (Foner 1970). Like many other free market critics, he admired the South as a legitimate alternative, believing slaves happier (Genovese 1976). However, Owen failed to recognize the brutal nature of slavery (Muravchik 2002; Stampp 1956; Taylor 2013). You might compare his ideas with Smith's, who seemed to have no objection to slavery in the Americas, observing, in *Wealth of Nations*, "we must not, however, upon that account, imagine that they are worse fed, or that their consumption of articles which might be subjected to moderate duties, is less than that even of the lower ranks of people in England." This happy outcome, Smith concluded, resulted from the fact that it was in "the interest of their master that they should be fed well and kept in good heart" so as to maximize their output (Smith 1937).

Owen's admiring of the paternalistic South reveals the greatest contradiction of Owen's thought. Despite Owen's radicalism, he was a reactionary. Just as Owen was creating a socialistic and communitarian society, other societies in the rural United States were becoming capitalistic, abandoning communitarianism (Sellers 1991). For instance, the community of Sugar Creek started out communitarian, but the values of the community dramatically changed, becoming more capitalistic and stressing private property, encouraged by economic development (Faragher 1986). Owen wanted to eliminate all this by going with, what some historians believed was, an updated version of the poor house or, at best, a modernized version of a rural community (Claeys 1987).

Owen's Contribution

Owen made several notable contributions. Firstly, Owen anticipated the work of Stanley Milgram and Philip Zimbardo. Much like Milgram and Zimbardo, he downplayed traits, free-will, and stressed that circumstances could lead to behavior. Owen rejected the Christian thought of original sin. Instead, he believed that no two human beings are born alike due to the large number of variables genetically and through circumstance, creating infinite diversity. Therefore, situations, not genetics or inborn depravity, drove behaviors (Morton 1962). For example, if we place people in a positive environment, we should note that they would behave positively (Calhoun 1993; Browne 1936). Unlike Milgram and Zimbardo, he focused on positive aspects rather than negative (Harrison 1969). A principle difference between their ideas was the time period in which these men conducted their research (an Owenite idea). Owen wrote his during an optimistic time; Milgram and Zimbardo in a ravaged century. Owen, much like later management thinkers Mayo, Fayol, Herzberg, and Pfeffer, saw the workplace as a place of socialization and enjoyment. Owen was also a developer of human resource development, stressing education and moral improvement of his workers (Ashcraft 1993). However, there were several issues with Owen's work. One, Owen's ideas were primitive, moralistic, atheoretical, and inconsistent. Second, Harrison had difficulty with the idea that character is formed "for him and not by him," noting that Owen treated this slogan as if it were the great truth of the ages. Third, Harrison observed that a great many people did not treat Owen's social science as a relevant science due to Owen's moralizing.

Owen's Failure

Owen did not lead a revolution in management thought. He contributed, but most of his ideas withered and died. He faltered for four reasons. Firstly, he focused on issues that were not related to management. He attacked religion, the authenticity of the bible, and traditional gender roles and supported birth control, and taking children from parents – positions that would have won him few converts in nineteenth-century America (Thies 2000; Muravchik 2002). Secondly, he was too radical (Claeys 1987, 1989). Although workers in Great Britain were able to reach some class consensus and opposition, the picture in the United States was very different. Craftsmen wanted to be paid (Bestor 1970). Owen was unable to get enough skilled laborers to be interested in his work. Many of his followers were free riders. They were too interested in gaining acceptance into the new market economy (Howe 2007). People were unwilling to ignore money incentives. In fact, the contract that created the community did not define property rights, creating even more problems

(Bestor 1970). Even more telling, New Harmonians were unwilling to surrender their social status and promote true equality. Thirdly, planning was poor (Thies 2000). There was little anticipation for the demand for housing nor was there little planning for farming. Thomas Peers had to prod the overseeing committee to deploy at least 3 or 4 plows. Yet it should be noted, as Hatcher does, that Owen ran his business differently than he did his community by providing both wages and benefits (Hatcher 2013; Claeys 1989).

Another reason the community failed was Owen's narcissistic personality (Humphreys et al. 2016). It would be natural to assume that his narcissism prevented him from exercising sufficient leadership to hold the community together. Humphrey and his coauthors suggested that narcissists demonstrate high (as did Owens) paternalism. Although Owen held hope in humanity, in general, he had a poor opinion of his follower's abilities – an astounding viewpoint given the level of learning of many of the people in New Harmony. Owen took credit for what worked and blamed others for what did not. What is fairly remarkable is that Edmund Wilson (1940) falsely argued Owen tended to give recognition for success to workers rather than himself.

Owen's narcissism was a factor – but the founder of the Shakers, Mother Ann Lee, believed that she was the second coming of Jesus. Of the 50 or so backwoods utopias, most of them were religious in orientation. The success rate of these communities was low. Those utopias that succeeded tended to be religious in orientation, allowed for private property, and had anarchic governance (Thies 2000). New Harmony flunked each of those qualifications. Joshua Muravchik (2002) noted the largest reason for the failure of New Harmony was that social influences would produce a new man. Yet to produce socialism, people needed to be raised under the new social system. But if people were products of the old system how could they get to socialism? The direct failure of New Harmony was that socialists understood that the transformation of society had to come through political, and even revolutionary, action if it was to be successful (Feuer 1966).

Babbage and Ure: The Cyborgs

Charles Babbage (1791–1871) and Andrew Ure (1778–1857) had a differing viewpoint of society than Owen. Each understood that the world had changed. Industry was not a passing fancy. They believed in reason as the basis of authority. In addition, they constructed a place from which they could make out the "lineaments" of the factory system, downplaying politics. Yet the differences were stark. Owen, a radical reactionary, sought communitarianism as a solution. Babbage and Ure, as futurists, sought to use machines to transform workers into rational beings. Babbage and Ure did not articulate a full vision of management – focusing more on the use of machines only (Kumar 1984; Zimmerman 1997).

Charles Babbage, the preeminent polymath of his time, was a successful mathematician, management theorist, inventor, and statistician (Stigler 1991). The modern computer has its genesis in the work of Babbage. His work had a profound influence on Frederick Winslow Taylor. However, Babbage was considered a crackpot, as his works were so complex that no one understood them. Frustrated, Babbage died a bitter man, hating humanity in general, Englishman in particular, and organ grinders most of all. Charles Babbage was born in London as the son of a banker. He matriculated at Cambridge University's Trinity College, studying mathematics, although such was the standard of his knowledge that he gained little new insights from his studies (Becher 1995). Instead, becoming friends with John Herschel and George Peacock, he embarked on a mission to improve the standard and usefulness of British mathematics (Moseley 1964). Soon after graduation, Babbage won acceptance to the Royal Society. Subsequently, scholars would separate Babbage's work on computer and management, something Babbage would have disagreed with. Babbage was interested in decision-making. As Ashforth (1996) noted, Babbage and Herschel also sought to transform society by breaking the alliance between religion and state and replacing it with rationality. Like the radical political philosopher Thomas Paine, who provided inspiration to Babbage and Herschel, both believed that all men could be engineers. In doing so, humanity would be better equipped to handle the various demands brought on by the new factory system and changes in the economy (Rosenbloom 1964; Wren and Bedeian 2018).

To aid in his goals, Babbage sought an efficient, universal, and visible mental technology by means of universities. However, Babbage worked in a system where the scholarly community resembled a country club. Unlike the more technically oriented universities that were to emerge in continental Europe, most particularly Germany, Britain's colleges and universities continued to emphasize skills (languages, history, etc.) that benefited the gentleman and the colonial administrator rather than the entrepreneur. Accordingly, Babbage and friends looked at the factory as a place where they could develop their new ideas. Both Babbage and Herschel were bedazzled through division of labor due to its efficiency and rigor, which placed unprecedented demands on machine tool shops turning into innovative places. So, he turned his attention to manufacturing and the development of his analytical machine, the first general computer. The analytic machine could be used to input data and used a binary system similar to George Boole's. Basically, the analytical machine had the workings of the modern computer (Ashworth 1996; Moseley 1964).

Two issues haunted his work. Firstly, there was social and cognitive distance between designers, machinists, and draughtsmen. The input cards existed for his machine but little else. Babbage, therefore, had to develop complex programming to deal with matters such as polynomials, iterative formulas, Gaussian elimination, and Bernoulli numbers. He lacked a team of programmers and it appeared that only his friend Countess Ada Lovelace understood the analytical machine. There were no existing technologies and programmers to service the machine. There were also the questions of whether the machine would overheat and on the difficultly of removing the punch cards (Wren and Bedeian 2018).

To understand what tasks his machine would need to undertake, Babbage turned his research to manufacturing, publishing his classic book on operations management called *On the Economy of Machinery and Manufactures* (1832). In fact, it was a continuation of his interest in improving and developing machines. Babbage analyzed the economic principles of manufacturing, tools and machines, expenses, and operations. He also made notable contributions to the economic benefits of specialization, statistics, and price differentials. Babbage not only endorsed the division of labor, he also took the concept further than others, arguing that there was no need for a worker to have any more skills other than those directly related to his or her specific task. By minimizing training and maximizing each worker's capacity to complete a single task, a factory could combine such efforts in ways that would produce something much cheaper and quicker than could be achieved by an artisan. He also developed techniques of observations that would become standard place for later efficiency experts (Wren and Bedeian 2018).

Convinced of the productive benefits of the new factory system, Babbage also served as a spokesperson for the new industrial order. He pleaded with the Chartists to understand the benefits of the machines and stressed mutuality of interests between workers and managers. Babbage did recognize that the machine would potentially increase the power of capital over labor, leading to the creation of unwholesome working conditions and long hours. Yet, he opposed any attempt to stop the use of the machine, believing that in its scientific value as well as its role as a public good. He also rejected the use of trade unions on pragmatic grounds since the unions would drive locations, encouraging the relocation of factories and more automation. He did recognize the role of unions in terms of administrative grounds. Rosenbloom (1964) noted that Babbage had come across the primary problem within business – the contradiction between advances in technology versus the rights of workers. Is this so? That is how it appears, but the argument is that the need for productivity drove hours down just as the wealth of output increases real income. By 1850, as Hugh Cunningham (2011: p. 68) observes, management was "seeing the advantages in an intensive rather than an extensive use of labour . . . In this kind of environment children were more of a hindrance than a help." Babbage's solution was to offer a bonus plan to align interests. However, he also recognized that the increase size and scope of factories would limit the ability of workers' efforts to lead towards the success of the firm.

Babbage died a frustrated man. Although he had been nominated for various honors including knighthood and a Baronetcy, he also had the reputation for eccentricity and public fraud. He also, along with other management thinkers, was attacked for making workers tied to the machines. In some ways, the newness of his viewpoints and his vast arrogance did him in. Babbage had a flair of narcissism in him – he wrote the Duke of Wellington – himself the champion of the aristocracy – that his machines were his to dispose as he saw fit since they more sacred than hereditary and acquired property. However, there was no denying his brilliance. Marx recognized that Babbage made a notable contribution in that he recognized the crucial role of machinery and division of labor in increasing productivity. Babbage was able to capture the interests of the engineering managers and sought automated systems that allow for cheaper employment (Becher 1995; Wilkes 2002).

Why did Babbage's innovations not take root during his lifetime? A reason could be Babbage himself, who definitely demonstrated various eccentric behaviors that probably would have appeared odd to many people. After all, this was the same man, perhaps facetiously, who formed a group that sought to free its members from an asylum. It does not take much imagination to understand that people would have a difficult time accepting the seriousness of a man obsessed with the evils of organ grinders. Babbage proved a poor developer of followers. Unlike the latter Taylor and Mayo, Babbage did not leave a school of followers that would continue his work beyond his death nor did he seem able to curry favor among the most powerful members of society. True, Babbage did make connections, but despite his relationship with Sir Robert Peel, seemed to lack influential patrons. He was too early an adopter in computing. There was a distinct lack of parts, trained personnel, and support from society.

Andrew Ure was another polymath and, as Farrar (1973) noted, a major target in Marx's *Das Kapital (*Kumar 1984*)*. He was also a doctor, scholar, chemist, scriptural geologist (i.e., used geology to research the Bible), and leading business theorist. Ure was born in Glasgow in 1778 to a cheese-monger. He earned his medical doctorate from Glasgow University. After a brief stint as an army medical doctor in 1804, he took a position at the Andersonian Institution, where he replaced the eminent chemist George Birkbeck. He stayed until 1839. During his time as a lecturer, he gained renown as an academic interested in innovation. Yet, he had a poor reputation in the scientific community. The great chemist, John Dalton, the founder of modern atomic theory, noted that Ure did not understand the difference between pure ether and the mixture sold by druggists that was a combination of ether and alcohol. Yet after the Napoleonic Wars, Ure sought to build an international reputation and toured France to absorb their science (Edwards 2001; Kumar 1984).

Much like Babbage, Ure came to management through his scientific accomplishments. The Andersonian institution was designed to educate the artisan class, unlike Oxford and Cambridge. From this college, the first classes of salaried managers were soon hired. Ure's most notable contribution to management thought was his 1835 book entitled *The Philosophy of Manufactures; or, An Exposition of the Scientific, Moral, and Commercial Economy of the Factory System of Great Britain*. The book had three general aims: to extol the great importance of manufacturing to countries against agrarian interests, denounce workingmen in forming groups, and persuade people about the humanitarian benefits of the factory system. Ure's principal focus revolved around the discipline and organization that Ure believed machines imposed on workers. As such, Ure's book did not attempt to define management by outlining, in a systematic way, the tasks and procedures that the new discipline would entail (Caton 1985). His analysis centered on machine imposed control. It did not describe a pure management system. Ure also defended the new factory system, noting that workers lived in better conditions, had more food, and were healthier than artisans had been in the past. He also noted that the factory system meant better working conditions than the previous handicraft system, where both irregularity of work and long hours of toil were the norm. In terms of the charge that factories had both child and female laborers, he noted, correctly, that the previous domestic system had employed both children and females (Wren and Bedeian 2018).

There were several notable issues with his book on manufacturing. Firstly, he was prone to exaggeration and character assassination, at several points calling his opponents atheists and whores. He also damaged his arguments through poor analysis. As Farrar (1973) noted, it was sufficient to state the factory workers were healthier – but he undermines his argument when he noted that the principal health problem was overconsumption of bacon. What he failed to note was the prime difference between the domestic system and the factory system that workers were now managed by nonfamily members, a difficult transition. However, Ure did imply that factory owners did owe workers decent conditions, schools, clean air, and decent housing. Whiting (1964) noted that there were early strains of the Human Relations in Ure's work.

Despite these issues, Ure had a clearer understanding of industrialization than did Adam Smith (Caton 1985). Writing in 1776, at the very dawn of the Industrial Revolution, Smith appreciated the benefits of the division of labor and the growing importance of fixed capital as a business cost. However, Smith understandably – given the time of his writing – failed to fully appreciate the revolutionary potential of new steam-powered machines. Nor did he properly appreciate the transformative role that management was to have in the post-1776 world, observing in *The Wealth of Nations* that "being the managers of other people's money rather than their own, it cannot well be expected that they should watch over it with the same anxious vigilance [as] . . . their own." "Negligence and profusion," he added, "must always apply" in such circumstances (Smith 1937).

What were the contributions of Ure and Babbage to management thought? Daniel Wren has praised them over the years in his various works, noting the primary contributions of both men, especially Babbage. Since the time of Marx, writers found key differences. Yet, there were key similarities as well. First, they recognized that machines were here to stay. This was not a common viewpoint at the time. Many people in Great Britain believed that the factory was merely a temporary intruder to the old industrial order. Consequently, as Zimmerman (1997) noted, Babbage and Ure's work could be seen as part of a concerted attempt to validate the new factory system. Indeed, they were among the writers who changed the meaning of the word factory, which had meant warehouse or production center, to a factory within a production system. Both understood what the factory would mean for labor – something that neither Smith nor Ricardo really developed. Babbage and Ure also sought to defend the factory system from various challenges. Agricultural life was hard, but based on tradition rather than the externally imposed control and discipline associated with factory life and the mill clock (Edwards 2001). There was little description or reason as to why the new order was needed. Babbage and Ure defended division of labor and the use of machines (Farrar 1973). Unlike Owen, who wanted to save man from the machine, Ure and Babbage sought to save the machine from man.

The problem with their thought was that it was not a true management philosophy – even if there are elements of management philosophy in their writing. It was also an inhumane philosophy to adjust men to machines. Ure and Babbage, unlike Taylor and Mayo, did not seek to train and develop managers to handle social problems. Rather they believed that machines can control and discipline men. Their work also degraded the worker who long had control over his own tools and knowledge (Zimmerman 1997). The machine created value, so as Ure argued, capitalists should gain the value, since they owned the machines. Babbage agreed with Ure noting that machines controlled the floor (Wren and Bedeian 2018).

A primary difference between Babbage and Ure was over the role of specialization and division of labor. Ure, unlike Babbage, did not have the wide range of experience in factories, so he argued that division of labor was obsolete because factory productivity was due to machines. Babbage defended specialization of labor. Ure also disagreed with Babbage's views over the evolution of human thought – arguing that society was better through the administration of enlightened factory owners rather than (an implicit attack on Babbage) academics who base their decisions on outdated statistics. Ure also believed that the factory system would lead to better jobs, better conditions, and more productivity and would not lead to an accumulation of power that may damage workers. Babbage had a dissenting view and sought incentives to align interests. Ure doubted radical improvements to workers conditions they were simply a fact; Babbage believed in improvement. Babbage sought to make workers think like engineers; Ure saw them as docile and machine like (Rosenbloom 1964).

The limits of their thought could be summarized as follows. Ure believed that machines were the basis of capitalism – rather than division and commodification of labor or the market. His Frankenstein-like experiments on human cadavers indicated that humans could be fine-tuned with scientific methods. Ure also believed in the inherent good of the factory system – he was called the "Pandar of the Factory" by Marx, and scholars have called his viewpoints Panglossian. Babbage saw society as an evolutionary process that neither man nor machine could control. He understood that the machine produced tedium. Rather than the machine controlling labor completely, methods of management, such as bonuses, were needed to ensure compliance. Yet, unlike Frederick Winslow Taylor, both did not understand the need for an overall management philosophy, preferring a technological focus. They missed Taylor's key insight; capitalists control machines, but labor controls itself. The ability of machines to control men was limited, greatly over-estimating the ability of machines to monitor workers. Workers can destroy machines; they can misuse and abuse them; and the ability for machines to monitor worker misconduct was limited. After all, if a machine is damaged or destroyed, could a manager know which worker destroyed it? The major takeaway was that workers needed to be trained, educated, and compensated. Unlike Ure and Babbage, Taylor developed an integrative system of management. He also had a wide array of followers who were able to carry his research beyond his death. Unlike Ure, Babbage did provide the basics of Taylor – but he did not develop a true philosophy of industry. Both understood the need for a new mental framework, but did not provide it. They focused more on machines (Edwards 2001; Kumar 1984; Rosenbloom 1964).

Henri Fayol: The General

Unlike Owen, Babbage, and Ure, who came from Great Britain, Henri Fayol lived his life in France when it shifted from monarchy to republic to empire and back to republic. France, during his lifetime, witnessed crushing defeats (i.e., Sedan) to notable victories (i.e., First Battle of Marne). Similarly, during Fayol's lifetime, France's once unchallenged position, as continental Europe's preeminent economic power, was increasingly eroded by the rapid advance of science and industry in a unified Germany. Like Owen, Babbage, and Ure, Fayol never received the recognition that was his due during his lifetime. His own son supported the work of Taylor over his father. In fact, Fayol only started to receive major attention in 1949 when his book *General and Industrial Management* was translated into English. Previously, when people wished to read his work, it had to come through the British consultant Lyndall Urwick, who went so far as to say that Fayol did not write about management, but rather administration (Parker and Ritson 2011). Even worse, Fayol's ideas have been misunderstood and his work was viewed in light of Taylor's work, ignoring the obvious merit of Fayol's analysis. Consequentially, Fayol is one of those scholars who is widely known, but not necessarily widely read. Few really understand or even knew what his arguments were, tending to rally against the straw man version of his argument. However, every student of management, from the introductory class to college professors, has encountered, at one time or another, Fayol's ideas (Parker and Ritson 2005a, b).

Henri Fayol (1841–1925) was born to a noncommissioned engineer officer who was named superintendent of works to build the Galata Bridge in Istanbul, a bridge that remains an iconic landmark across the famed Golden Horn. However, despite his father's intelligence, skill, and ability, he was never able to reach a rank that was his due. This disappointment was a major part of the motivation that caused Fayol to become an engineer, business executive, and management theorist. Fayol also sought to create, based on these experiences, a philosophy to assist in France's recover from its disastrous defeat in the Franco-Prussian War. The war provided an impetus to change: leading to the separation of church and state in education, greater labor unrest, and increased focus on technical skills. Yet, it was also true that the emergence of the Third Republic provided a greater sense of stability than what had existed during the revolutionary period, the Bourbon restoration, and the Napoleons. His father recognized that his son needed an education. Fayol graduated from the École Nationale Supérieure des Mines in 1861 majoring in mining rather than metallurgy. He started working at the "Compagnie de Commentry-Fourchambault-Decazeville" as an intern, rising to director in 1865 and then managing director in 1888. By the time Fayol took over the firm, however, it was a faltering company (Wren and Bedeian 2018). Indeed, he was initially appointed to sell off the struggling company. Instead, however, he turned the company around by selling off failing mines and acquiring new mines that had both coal and iron deposits. He also built a business line around smelting iron to raw steel. By the time he retired, the company was one of the largest and strongest in Europe despite the destruction of several mines during the German invasion of France. He made money for the shareholders and provided a higher standard of living for his workers. Whether the advancement of the company was due to his managerial acumen, the end of the Long Depression (a period of slow global growth and depressed prices that lasted from 1873 until the late 1890s), the increase of value of iron ore, or some combination thereof, scholars, even his defenders, remain uncertain. However, Fayol had an excellent reputation as managing director, earning many laurels (Wren 2001).

These accomplishments came to him despite, not because of, his technical training. Fayol recognized soon after he became a manager that he lacked the skills to handle the industrial scope of the company. Consequently, he began writing down observations of managerial issues and solutions. For example, he noticed that work had stopped for a day due to a horse breaking aleg. The livery stable-keeper lacked the authority to purchase a new horse even though he was responsible for the horse. Fayol recognized that authority and responsibility should go hand in hand (Reid 1995). He also recognized that in order to increase motivation, jobs needed to be redesigned to make them less monotonous. He also saw the need to give workers more responsibility to make the job more meaningful and impactful. Fayol was a pioneer in identifying the social and organizational benefits from work teams. In addition, Fayol recognized that — although technical skills were important to firm success – managerial ability was even more important. In fact, as one rose throughout the organization, need for managerial skills increased; an outcome that was also evident as small family firms were replaced by large-scale enterprises. He recognized the need for management theory and this need was all the more acute because the future belonged to managers (Pryor and Taneja 2010; Voxted 2017; Wren and Bedeian 2018).

What were Fayol's contributions to management thought? His first notable contribution was the recognition that there were six important skills for successfully running a business: administrative skills, technical skills, marketing skills, financial abilities, safety abilities, and accounting abilities. Fayol's conception of management, as a distinct field from technical skills, was an important contribution. Wren (2001) noted that firms, such as Andre Citoroen, which promoted technical skills at the expense of managerial skills, performed poorly – proving Fayol's point. He also identified that there were five functions of management: planning, organizing, commanding, coordinating, and controlling. The principle focus was on organizing. Fayol understood the need for human resource management and that workers were the company's main productive resource. In the first chapter of most principles of management textbooks, Fayol's functions are still taught (Voxted 2017). He was also prescient in that he saw how workers, rather than being a cost to be minimized, could be the most important asset to the firm, anticipating the development of strategic human resource management nearly 80 years later. Fayol's most ambitious contribution was the 14 principles of management – ambitious since (to borrow Clemenceau's comment on Wilson's 14 points) the Lord almighty only had Ten Commandments. The 14 principles consisted of the following: division of work, authority, and responsibility, discipline, unity of command, unity of direction, subordination, remuneration, centralization, scalar chain, order, equity, stability of tenure, initiative, and esprit de corps. Promoting team spirit will build harmony and unity within the organization (Reid 1995).

These ideas were notable for several reasons. Firstly, they formed that basis for a normative theory of management serving as a development point for later theorizing. Secondly, it was an overall philosophy of management – one that could be used to describe management from top-level managers on down. This is particularly important since it provides coordination for specialized activities. Finally, since the theory discusses how managers should deploy resources it forms a basis of what would become strategic management. Fayol also anticipated several trends including behavioral and transformative leadership, agency, contingency and systems management, and the knowledge-based view of the firm (Parker and Ritson 2005a, b; Spatig 2009).

Did Fayol really produce a theory of management? Fayol's (1949) definition of theory "was [the] collection of principles, rules, methods, and procedures tried and checked by general experience." If this definition of theory was correct, then Fayol did create a theory. Fayol's formulations were certainly a comprehensive philosophy of management that could be used in a wide variety of contexts besides military and industrial. But he fell short of theory as we properly define the term. The modern statement of theory is a statement that explains why and makes a prediction on various phenomena. Importantly, the "why" statement is one that usually emerges from a body of knowledge and which has some generalizability (Bacharach 1989).

Did Fayol explain and make predictions? In my view, he did not. This is especially true since his conclusions can lead to alternative explanations that may be equally valid. Firstly, it is unclear whether his practices actually saved his company. There are other explanations for the company's growth including improved economic conditions. Secondly, his account of the horse – in which he claimed that workers were unable to address issues with the horse due to a lack of authority – could be due to hazing rather than poor administration. After all, it is not uncommon for workers to make it difficult for first time managers. Thirdly, he was unclear with his use of terms, making it difficult to develop his constructs. The fact that his thoughts were translated into a different language (English) exacerbates this problem. Based on this definition of theory, we can perhaps conclude that Fayol used the term theory to gain legitimacy. In fact, Fayol admitted as such – since there was no theory of management, how could it be taught in schools. Fayol provided a useful vocabulary and structure of terms, which allowed for subsequent theoretical development. In short, he did what George Homans did in the *Human Group*, take a bunch of observations, name them, and provide a conceptual scheme that had practical use (Homans 1984).

Fayol left an extraordinary record as he defined managerial actions and skill. More so than even Taylor, he truly defined managerial endeavors, and unlike Taylor, he focused more on the principles of organization and coordination. Taylor, despite his writings on incentives and training, remained very much an engineer with a primary focus on the plant floor and an inability to see over the plant floor. Fayol transcended the plant floor and saw the overall picture of the organization. From this perspective, Fayol, and not Taylor, could be seen as the most influential management thinker in history since his was an overall management theory. Maybe even more than Taylor's, Fayol's theories have stood the test of time – many of his ideas are still found in the introductory books, and his other ideas, such as esprit de corps, are the basis of a great many ideas in management. Fayol could be seen as the father of strategic management, as many of his ideas formed the basis of that field (Fells 2000).

Yet, Fayol seems to be underrated. In Bedeian and Wren's (2001) list of influential management texts, Fayol's *General and Industrial Management* is ranked 16th; a high ranking to be sure, but one that probably underestimates the influence his book had. Heames and Breland (2010), in their list, rank him fifth: also, arguably an underestimation. There are several important explanations for Fayol's comparatively modest ranking. Firstly, Fayol wrote in French – and did his work primarily in France – at a time when Great Britain, the United States, and Germany were the world's dominant commercial powers. In addition, Germany had become the major place for learning as universities worldwide adopted the German scientific model, a model that emphasized technical and applied skills. Had Henri been a Henry or Heinrich, his work would have arguably received more recognition. The First World War also prevented his work from receiving a large audience as wartime demands were placed. Finally, Fayol did not leave a cadre of followers to carry his work beyond his grave.

Part of the problem with the criticisms related to Fayol is that they often have little to do with what Fayol wrote and more to do with the interpretation that Gulick and Urwick gave to his writings. By contrast, few people read Fayol – they mostly hear about him from other scholars or viewed him through the prism of Taylor's work. In addition, academic scholars often dislike the practical orientation of his work. For instance, Herbert Simon attacked his theory for being based on observation – noting that, despite his success as a manager, there is no reason to believe that his propositions would stand up to analysis (Smith and Boyns 2005). Simon similarly doubted that any principles of management can be discerned, arguing that the importance of experience was not an important indicator of theory development. In contradiction, others – such as Ralph C. Davis, Harold Koontz, and Wren (1995) – have responded by suggesting that Simon underestimated the value of practical experience and practicality (Parker and Ritson 2005a, b).

Another charge that has been labeled against Fayol was the idea that he advocated universal principles that could not be empirically supported. This is a common criticism that has been labeled against Fayol over the years. Brunsson (2008), for example, argues that whether you view management as contingent or universal depends upon what perspective of the organization you view from, noting that Taylor was a contingency thinker since he understood the firm from the ground up and Fayol was a universalist since he viewed downward. Brunsson goes further to argue that universalist assumptions and normative theory have created various fads in management thought, ignoring the complexity of thought. Fayol's thinking was, in short, too ambitious (Brunsson 2008). In noting such criticism, Wren noted that although some criticized the work of Fayol as being simplistic; there were others who found it useful. In reality, they are both. What Fayol did was to provide a rudimentary understanding and vocabulary to management when none had really existed, filling a much needed vacuum. Of course, it would appear simplistic in comparison with latter works. Just as we have moved beyond Adam Smith and have provided more specificity to his framework, so we have with Fayol. His work was based on his successful experiences providing a greater sense of legitimacy than theorizing based on abstract ideas (Wren 1995). Perhaps the reason why managers struggle is less to do with the body of knowledge we have acquired and more on the idea that we do not actually teach that body of knowledge. We no longer research things that offer practical advice. In treatments, such as Gabor's work, the Carnegie school is praised as they made management more scientific. Yet, that could also be considered a curse – stripping management from a practical footing (Miller 2007).

Contrary to many of his critics, Fayol was in truth not a universalist. Instead, Fayol wrote his ideas with the view that they be applied in a flexible fashion, accepting that they would not have the same validity in all circumstances. For instance, Fayol would oppose such modern ideas such as "zero tolerance" punishments (i.e., a punishment should be applied for a particular action no matter what the circumstances), noting that we should consider the circumstance and purpose (Schimmoeller 2012). He also understood that the type of skills required vary according to both a manager's position in the organization and the size of the company. He is obviously innocent of the charge of universalism. Of course, the historical debate over contingency versus universal principles ignores the issue as to whether a firm has a choice to be different or not. There is a tremendous amount of literature in the institutional and resource dependence areas that firms do not have control over their internal processes and will appear to be similar due to mimicry. The adoption of Affirmative Action plans would be an example of this outcome.

Some modern management scholars have challenged Fayol's idea that management has five core functions. Prominent among these critics are Fred Luthans, Fred Mintzberg, and John Kotter. Each notes that managers were unlikely or unable to perform such tasks, or, to some extent, were too simplistic in scope to have meaningful applications. Luthans, Mintzberg, and Kotter were also critical and believed that Fayol had developed his ideas through normative theorizing rather than observation, contradicting previous generation of scholars, who believed the opposite. Brunsson argues that empirical studies indicate that management is a mishmash of far from orderly activities. This is, however, not the case. As Wren (1990), Fells (2000), and Lamond (2004) have demonstrated, management activities tend to be very similar and there is a distinct overlap between the ideas of Fayol and his critics. Lamond went further, finding that Fayol's functions are what managers wish to do, and Mintzberg what they actually do.

One problem in estimating Fayol's original contribution is that Fayol and Taylor are often compared to each other. Some scholars, such as Wren and Bedeian (2018), have argued that Fayol and Taylor were complements to each other. Berdayes (2002) suggests that Fayol and Taylor were fellow travelers agreeing on the need for hierarchical division of labor, the use of incentives, and emphasis on work processes. George (1972) noted that Taylor wanted to change management from the shop room floor; Fayol from the boardroom. Other scholars, such as Donald Reid (1995), have argued that they were competitors. Still, others, such as Voxted (2017), Brunsson (2008), and Parker and Riston (2005a), dismiss the question entirely. In fact, Parker and Riston argue that Fayol has become a fellow traveler of Taylor even though the two men wrote in very different contexts about very different issues. Pryor and

Taneja (2010) reduce Fayolism to an offshoot of Taylorism. Yet, it is also ahistorical to dismiss the comparison since contemporaries, such as de Freminville (and Fayol), made it. However, such a division of competitor and complement is an unwarranted dichotomy as they could be both.

We have noted where Fayol and Taylor agreed and where they complemented each other. How did they differ? Taylor viewed things as a mechanical engineer. Accordingly, he believed that inefficiency was due to variance from a correctly designed and performed norm. Accordingly, Taylor sought to eliminate variance by standardization of material and performance, a focus that reflected the fact that he came from the shop floor. Fayol, whose background was from mines, did not worry much about standardization. Due to the physical isolation of men work, there was little direct supervision of workers in mines. Rather, what he sought was ingenuity, adaptability, and productivity of the workers. Taylor believed that managers should be technical experts who could perform the tasks better than their subordinates could. Fayol disagreed – if you have many bosses based on skill, how can you coordinate? Instead, Fayol envisioned an organization of experts who benefitted from a general management education. Although scholars have argued that Fayol was authoritarian and paternalistic, he also sought ways to undercut manager's domination by clearly stating what he expected from managers (Brunsson 2008).

Fayol and Taylor also differed on compensation issues. The standard textbook views Taylor and Fayol as believing in monetary incentives and romantic rationalists. Taylor was a rationalist who stressed extrinsic benefits, such as pay. In contrast, Fayol placed tremendous emphasis on building loyalty and an affective connection to workers. There was little in Taylor's writings on how a firm should compete and ownership issues. Fayol's work was focused on the orderly integration and arrangement of the organization. In fact, Fayol's work could be used to implement Porter's generic strategies. Fayol also understood that there were problems between principals and agents. He understood that the board was too tied to the market, too interested in creating profits, and that profit was a primitive means of judging corporate performance – anticipating Agency Theory (Parker and Ritson 2005a, b; Reid 1995).

Was Fayol more influential than Taylor? Probably not due to the factors above, but the largest reason was that Taylor changed the field from one of random observations to one based on the scientific method of testing, hypotheses, and replication. More than anyone, Taylor demonstrated that management should be taught and developed as a science, rather than a humanity, such as history. Taylor's use of science was something that fit the zeitgeist that placed an emphasis on science, objectivity, and replication. Taylor made the study of management into a legitimate field of research. Even today, when there is debate over whether his ideas work or not, we still use Taylor's methods of science to research issues. This could not be said for Fayol's ideas. Based on this contribution, Taylor truly "made" management; not in the sense that he was original or he created a field where none existed, but he made management a legitimate field of study (Drucker 1974).

Fayol's contribution was important as well, but different. Brunsson (2008) argues that the principal benefit from Taylor was that his was a top down approach and that the true success of management was organization efficiency. Yet Fayol understood that this viewpoint ignores the fact of how firms could compete if everyone is efficient – such an approach would reduce the economic benefits of owning a firm. Although Fayol did not use the term effectiveness, he understood that organizations must have a united mission to direct efforts towards a common goal. Fayol understood that the goal could vary from firm to firm, and so would the management forms they would take. How firms achieve the common goal is what makes firms survive. They also create diversity. In fact, a vast amount of literature expresses the need for firms to be different whether it is in pricing, resources, or simple location. In other words, the principles of management Fayol made are universal, but how they are implemented will be dependent on situations, a point that Fayol recognized. Taylor's inability to see above the plant floor obscured this vision. This is not to take away the brilliance or contribution of Taylor's views, but Fayol extended management to the firm level while Taylor addressed the primary problem of the early twentieth century, namely labor. Taylor sought to use science to achieve cooperation. The great powers were primarily concerned with ensuring production both for imperial reasons and restive workers (Kennedy 1980). Fayol anticipated strategy, but strategic concerns did not emerge until after the Second World War (Brunsson 2008).

Conclusion

Owen, Babbage, Ure, and Fayol made many contributions. Owen produced elements of what would become human resources and organizational behavior, focusing on worker training, incentives, and job design. Owen also anticipated the modern idea of work-family spillover. Babbage produced the beginnings of scientific management. Both Ure and Babbage produced the forerunner to operations management and Fayol, strategic management. Yet they did not produce a legitimate and influential approach. Owen focused on other areas, often at the expense of his writing on management. In addition, his major management project, New Harmony, was doomed to failure. Likewise, Babbage lacked the personal skills, temperament, and devotion to management to make a lasting contribution. If one looks closely, Babbage did provide a system similar to that of Taylor – but this system was in a morass of other ideas, which were considered crackpot. History has a long list of crackpots like Babbage, who did not get their due because of the newness of their ideas. It also has an even longer list of people who were just crackpots. We take Babbage seriously because with hindsight, we know he was correct. But can you really take someone, like Babbage, seriously if you were a contemporary? Andrew Ure was not a true management thinker – he placed more concern on what became operations. Finally, Fayol stressed issues that were not in vogue. Another issue that held these men back was the fact that management was not considered necessary until later in the industrial revolution. Factories were just a passing fancy. In the United States, where Taylor worked, there was an understanding that management was needed to handle the vast new underclass that was being created. Likewise, a new middle class could become managers. Taylor found a fertile and interested country for his ideas.

Cross-references

► Economic Foundations: Adam Smith and the Classical School of Economics
► Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
► Neo-classical Thought: Alfred Marshall and Utilitarianism

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Taylor Made Management

21

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to examine the life and career of Frederick Winslow Taylor, father of scientific management. This chapter discusses both how Taylor's actions, as well as the environment within the United States, nurtured the rise of scientific management. The contention is that America's progressive era, as well as the transformation of knowledge, allowed for management to become a field of study. Taylor's work is discussed, as well as a discussion of the criticisms that have been levelled at Taylor. In addition, the chapter provides a discussion of how scientific management clashed with peasant work culture.

Keywords

Frederick Winslow Taylor · Scientific management · Progressive Era · Taylorism

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Introduction

Frederick Winslow Taylor's life could be a plot from a bad movie. The son of the Quaker aristocracy, he abandoned Exeter and Harvard to work in a factory. He was a champion athlete, brilliant inventor, and an aggressive advocate for work improvement. He had the ability to inspire great, often contradictory, emotions from people. In death, Taylor was esteemed in some circles as the successor to James Watt; in others, he was attacked as a mountebank. Taylor desired and sought to create order, to a point where he created his own rules for the games he played as a child. Taylor sought order in industry as well, producing ideas that changed the world, but at a cost to the worker who surrendered freedom for slightly higher wages and slightly fewer hours. Taylor's writing sounded reasonable, but in practice, by his hand and others, they were anything but. He inspired love from the manager, hatred from the intellectual, distrust from the worker, and frustration from the capitalist. His ideas could be complex and subtle, or so basic that he could have been a caricature created by Marx, Weber, or Freud. Taylor could be considered the savior of modern civilization from the scourge of Bolshevism and Nazism; others saw him as a shill for the powerful elite, who used "science" to place the worker in chains. John Dos Passos, Upton Sinclair, and Charlie Chaplin attacked him. Edwin Locke and Peter Drucker defended him. Kyle Bruce and Chris Nyland have argued that scientific management has been demonized; Andrea Gabor, James Hoopes, and Matthew Stewart see Taylor as a demon that needs to be exorcised (Kaingel 1997; Copley 1923).

Despite his mixed reputation, Taylor remains the most influential and respected figure in management. For better or worse, management is a distinct field due to Taylor's actions legitimizing the field as separate from sociology, psychology, economics, and engineering. Taylor made management, not in the sense that he coined the term or even that he was the first to post a theory of management, but he provided the field with legitimacy. When Owen, Babbage, and Ure did their work, they did not have a concept of what a manager does – their focus was on the specialization of labor and the machine. Taylor wanted to develop tools for managers so they could better administrate the new industrial order. The importance of Taylor's actions came at the time that modern professions began to emerge, eclipsing the older ones such as artisans and the clergy. Modern professions, such as psychologist, sociologist, and manager, were the result of the progressive era.

For this reason, Taylor remains (more than a hundred years after his death) the preeminent management thinker. His principle book, the *Principles of Scientific Management*, remains a classic in the field, and he remains the most written about scholar in the preeminent *Journal of Management History* (Bedeian and Wren 2001; Schwarz 2015). Whenever a scholar theorizes or tests models, they are living in the shadow of Taylor. Management is considered a social science, not a humanity, due to the influence of Taylor. We are all Taylorists because we accept his general idea that work should be scientifically studied. Yet, management scholars and others, have pointed out that Taylor was not original, he was a liar, a plagiarizer, and an autocrat. He also provided management with the image of the clueless consultant, who sells fads based on voodoo statistics (Stewart 2009). His defenders challenge these accusations by pointing out the timelessness of his vision and that he was correct. Despite being an autocrat, he was someone who wished to better the lives of workers (Wren and Hay 1977; Heames and Breland 2010). Some of his critics come from the management field, but mostly they come from history, industrial relations, and the arts.

This chapter will discuss some general observations about Taylor. Firstly, his contribution to the field of management will be discussed. Secondly, Taylor's relationship with the Progressive era will be explained and why management emerged as a distinct field of study. The explanation was that finally, conditions enabling management to emerge were present. Thirdly, the various criticisms labeled at Taylor will be discussed and most of them are found to be overheated. Fourthly, his complication with both unionized and non-unionized labor will be addressed to understand why they opposed him as vehemently as they did.

Taylor's Contribution

Edwin Locke (1982), arguably Taylor's most able defender, once argued that it was not that Taylor's vision was correct at the time but appears to be correct for all time. In fact, according to Payne (2006) and coauthors, we can see Taylor's development on the following elements of modern management: job analysis, job design, selection, motivation, incentive systems, job performance criteria, performance appraisal, employee attitudes, group processes, human factors, and organizational change and development. Payne overestimates the role that Taylor had in forming attitudes and group processes. Those elements were really developed by Elton Mayo, although Taylor did have these elements within his work (Cooper 1962). If Taylor had founded just one of those managerial processes, that would have been an amazing contribution, but for him to develop each of them, basic mainstays of modern human resource management, is a remarkable feat indeed. Taylor also researched fatigue and scholars have viewed him as one of the intellectual godfathers to goal-setting theory, one of the most validated management theories. Taylor left such a dominant imprint on management that other management figures, such as Mayo, Fayol, Follett, Barnard, and Munsterberg, are seen through the prism of Taylor's work (Bendix and Fisher 1949; Cooper 1962; Locke 1982; Parker and Ritson 2005; Payne et al. 2006; Taneja et al. 2011). In fact, no scholars really refuted him; they merely expanded his work into new areas.

Daniel Wren (2005) also argues that Taylor was the major push of the second phase of the industrial revolution. To Wren, the first phase marked the development of large firms; technological advances were the major concern. In fact, we can see references to this idea in the work of Babbage and Ure, who seemed more concerned with machines then with management as a distinct idea. Taylor, in the second phase, realized that technical skill was necessary but was an insufficient condition to ensure the proper functioning of work. He noted that production was about one-third of what it should be because of opportunistic behavior by workers caused by the arbitrary nature of management. He called this behavior soldiering. He argued that it happened for two reasons, the natural tendency for people to shirk work and to protect themselves from an arbitrary and coercive management. Workers had been badly trained as well, developing work heuristics based on tradition. When Taylor was a manager, he attempted to fine workers, but he found it troublesome, due to worker retaliation. He had to find another way.

Taylor prized knowledge and science over experience and tradition – this was arguably his greatest contribution. His other contributions stem from this. Taylor decided to set the rate in a scientific way so that workers could understand that their wage was not set on a whim. Furthermore, Taylor broke down each act into its smallest parts and performed the act with a stopwatch to determine the most effective way to work the system. Taylor also broke each job down into individual components, i.e., the smallest parts, and then reconstructed them as they should be done. Furthermore, he made note that all tools, machines, and methods should be standardized. In addition, Taylor was willing to pay workers for extra production when a lesser man would have used coercion. Taylor used incentives on a day-to-day basis, so the workers could be further engaged. When Taylor developed the notion of first class work, he did so with the idea that workers should produce as much as they are physically and mentally capable. Those who were not physically or mentally capable had different options in the plant. Taylor developed a task management system that allowed more work to occur but allowed for breaking up the supervisor's work so that he could function within a discrete area (Boddewyn 1961). Taylor believed that managers would become better, more suited to analyzing their specific area of expertise with authority derived from knowledge and skill, not position or power (Locke 1982).

Taylor's greatest contribution to society was that he brought the unskilled and immigrant to the marketplace (Wren 2005). David Montgomery (1979) noted that Taylorism deskilled labor, but he also noted that many immigrants did not have new skills to lose. Taylor's rationalization of work reduced training time, allowing unskilled workers to find gainful employment and higher wages. Although workers had witnessed a 15% increase in pay from 1873 to 1893 (during the Long Depression), this increase was not equally divided, as only skilled laborers really benefitted. The creation of scientific management was a boon to the unskilled. Taylorism meant that there was not an unskilled, radical immigrant labor pool that could have potentially caused a revolt. Taylor's work, as well as welfare capitalism and the emergence of popular culture, created a sense of belonging. Along with Ford, Taylor created a new world that lifted the laboring classes to middle class life, with every worker owning a home and a radio. According to Drucker, Taylorism helped create the amazing industrial complex in the United States that enabled it, despite a great percentage of its experienced workers being away in the military, to outproduce the rest of the world during the World War II.

Taylor's Relationship to Progressivism

Peter Drucker (1954) has argued that it was scientific management that slayed Karl Marx. He does not provide enough explanation for this occurrence. William H. Knowles (1952) pointed out that a principle problem was the lack of knowledge on what was a fair day's work and a fair day's pay. The price mechanism failed to establish the proper rate, because employment is a continuing transaction, rather than a spot transaction. The development of additional incentives and its relationship to the work movement was needed. Accordingly, Taylor needed to scientifically determine a structure through time studies and wage systems that would be based on an unarguable system of laws to produce cooperation. After all, no one argues whether the sun will come up in the morning. Scholars have also pointed out that Marx did not consider the growth of free labor unions and protective legislation – part of the Taylorist coalition (Bruce and Nyland 2001; Nyland 1995, 1998, 2000).

Knowles's explains how Taylor was able to create a new order. It does not answer the question of why and where. After all, what made Taylor and his world different from the world of Babbage? This question, and others, can be answered by considering Taylor's relationship to the burgeoning progressive movement in the United States. The progressive movement has long frustrated scholars (Filene 1970). Lawyers, social workers, clergy, doctors, businessmen, intellectuals, academics, and the old elite and new professional middle classes have all been concerned, at one point or another, as part of the progressive movement. There were great divisions between followers of Woodrow Wilson, who wanted regulated competition, and Theodore Roosevelt, who wanted regulated monopoly (Cooper 1983). There were progressives who were concerned with the inner city, some with the rural community, some wanted to regulate the economy, and others, morality (Kloppenberg 1986; Kolko 1963; McGerr 2003). There were progressives who wanted to Americanize immigrants and still others who wished to build a multicultural society. At one point, historians grew fed up with the whole process declaring that the progressive movement was dead (Filene 1970).

What is important is to understand the overlap of progressive visions rather than its differences. The progressive movement, despite its many faces, had a deep concern to bring order to chaos and affirm certain values in the face of radicalism (Keller 1992, 1998). "As the network of relations affecting men's lives each year became more tangled and more distended," wrote Robert Wiebe, "Americans in a basic sense no longer knew who or what they were. The setting had altered beyond their power to understand it, and within an alien context they had lost themselves" (Wiebe 1967, pp. 42–43). The purpose of progressivism was to provide a sense of social control that would limit one group taking advantage of another. The breaking away of small town America, the interconnection of America by train and telegraph, and the emergence of new immigrant groups forced Americans to develop methods of regulating both a new economy and society. The principal concern was that business was a corrupting force in politics and economically disruptive (McCormick 1981). The concern over workers was the idea that wages would decline to the point of starvation due to the presence of machines.

The purpose of this new progressivism was the use of both knowledge and power to restrain unwarranted individual behavior for the greater good. The vanguard of this new movement was various professions that emerged, including management. Taylor's version of management is best described as purposeful social action to promote rationalization for the corporate world, just as social work was to do so for home life. The appeal of science, the emergence of objective laws, and expert planning would produce submission, on the part of workers and employers, by eliminating arbitrary decisions and rejecting idleness. Samuel Haber (1964, 1991) argues that the success of scientific management was due to its ability to combine notions of scientific efficiency with personnel virtues of hard work and material improvement. The new educational system brought over through the German University, as well as the corporate training that Taylor urged, meant that managers would emerge as a class (Larson 1979; Rodgers 1998). In addition, the Morill Act created schooling for engineers that enabled a profession that would be closely aligned with management. It should not be a surprise that a great many managers were engineers, including Taylor. As James Kloppenberg (1986) noted, the attractiveness of bureaucracy and rationalization was based on bureaucracy's claim to science. The fact that Taylorism had a basis in the scientific method also made it attractive. Taylor recognized that the development of scientific management could play a role, besides that of work life, in both social life and government (Tarr 2001). In fact, after Taylor's death, some of his associates, such as Lillian Gilbreth, would undertake this vision by designing the modern kitchen under the principles of scientific management. The alignment of scientific management with the progressive movement was a boon for Taylor.

Aiding management in its emergence as a social science was the joint emergence of sociology and psychology as distinct fields of research (Turner and Turner 1990). Although sociology had been around for a number of years (there were pre-Civil War references to it), it found itself as a natural ally to management; an alliance that did not continue into the Hawthorne years (Muldoon 2017). Prior to the 1930s, sociology was primarily concerned with the field of social work, rather than a distinct science directed toward construction of theory and objective research. The purpose of sociology was to develop effective techniques that could help manage the lower class by providing them with examples of middle class behavior. Michael Katz (1996) noted that social workers and management often criticized the poor for exhibiting certain behaviors, such as drunkenness, and sought methods of control. Additionally, as Sanford Elwitt (1988) noted, the emergence of strikes after 1877 forged an alliance between social workers and management as a means of improving worker morals. William Howe Tolman was a social reformer who worked with Taylor. Tolman believed that sociology should not just reform but should create a sense of interdependence between capital and labor.

Taylorism played a role in the efficiency movement (Bruce and Nyland 2001). The efficiency movement meant different things to different people. The national efficiency movement in Great Britain was a national cross-party movement that was dedicated to promote efficiency due to the inability of the British Empire's military to deal with the Boer commandos (Searle 1971). The purpose of the efficiency movement was less a move towards democracy but more to shame the British elite into reforming the system. And so, the British were not swept away due to the changing international scene caused by the emergence of Germany and the United States. Besides reforming the British military, the British efficiency movement sought to reform British society by improving human capital through better education, political reform, and better nourishment. The United States efficiency movement was dedicated to the purpose of increasing consumption by lowering prices (Nelson 1980). Scientific management fit into this movement since, like control, regulation, and mastery, the scientific movement suggested that rationalization could tame the marketplace (Haber 1964, 1991; Rodgers 1998; Wiebe 1967).

There were several connections between Taylor and the burgeoning progressive movement. One of the most prominent connections was the relationship between Taylor and the famous attorney, later Supreme Court justice, Louis Brandeis (Urofsky 1971). Brandeis was a crusading attorney from Massachusetts, who had started out as a corporate attorney, and after making his fortune, switched his interests to the public good. Brandeis had come across scientific management during the famous Interstate Commerce case, when he opposed the increase of rates on the part of railroads (Martin 1971). Looking for an advantage, Brandeis recalled some of the exciting research on scientific management, from Taylor's *Shop Management*, as well as articles written by Harrington Emerson. Brandeis recognized that if he could attack the railroads lack of efficiency, he could win the case. So, Emerson invited Brandeis, along with Gantt, Carl G. Barth, and Frank Gilbreth, to a meeting at Gantt's house. They decided that they would name the overall efficiency system by the title of scientific management (Aldrich 2010). Brandeis's arguments helped block the rate increase. Kraines (1960) noted that this case and Brandeis's embrace of scientific management helped to launch his career.

Taylor was highly esteemed by Thorstein Veblen (Diggins 1978). Veblen saw Taylorism as the means to tame business by promoting a system to replace profits with the notion of efficiency based on scientific ends. Walter Lippmann agreed with Veblen in the belief that, through the use of science, management could be tamed. The opposite occurred – both efficiency and profit would be the goals of management. As John Patrick Diggins noted, Veblen, Lincoln Steffens, and Hebert Croly failed to understand the role between managerial rule and the process of rationalization. There was little recognition in Veblen that the process of managerial control could be extended to all aspects of life. Max Weber understood the limits of Taylorism. To Weber, the rationalization could lead to a prevalent form of control in industrial life and that all aspects of life could be consumed by administrative domination, reducing human interactions into impersonal rules (Diggins 1978, 1996).

Another important reason why scientific management became an accepted part of work was a transformation of knowledge. The transformation of knowledge that occurred from 1870 to 1920 broke barriers between different ideas, such as empiricism, idealism, laissez-faire, and socialism. Creating, what Kloppenberg (1986) called, a middle way. The idea that truth was not the subject of eternity was something that clearly occurred to Taylor, who was both an empiricist and an idealist. Taylor had an understanding that management should control the means of production, including equipment and the plant. He also argued that, in some circumstances, management should control knowledge of the work process. Previously, workers controlled both tools and knowledge. Scientific management would deprive both elements to workers under the policy of standardization. However, Taylor was unconcerned, arguing that although management controlled the means of production, workers controlled themselves. Taylor developed this idea by recognizing that coercion was an ineffective stimulus in gaining cooperation and production. Empiricism avoids the need for workers to control the means of production and provides a block against managerial aggression through the discovery of the laws of work (Wagner-Tsukamoto 2007).

Taylor's Role

Rather than delving into the unproductive questions as to whether Taylor was original or not, it is more productive to answer the question why was Taylor so influential. Andrew Hargadon (2003) argued that innovations are not the result of creative genius nor were they created in secrecy, rather innovations are a combination of elements that forms the basis of a new system. These are ideas passed through a network of likeminded individuals. It is true that Charles Babbage used a stopwatch to observe workers and that Taylor had probably read about this research when he was a student at the Stevens Institute of Technology. Yet, it was Taylor that used the stopwatch to improve performance. The difference was that Taylor recognized that there was a benefit to efficiency in a manner that Babbage did not (Wren and Bedeian 2018).

This innovation was passed along a research network (Burt 2004). Another advantage that Taylor had over Babbage was that the United States had a network of managers and engineers who were willing to work and expand on Taylor's initial ideas. An example of this would be Frank Gilbreth creating motion study or Carl Barth producing the slide rule. Dean (1997a, b) pointed out that Gilbreth served Taylor well over the controversy of the fundamentals of management in *America Magazine*. Problems with the lack of business education would remain an issue for Great Britain well into the 1960s. However, the United States had an educational system that produced managers and a support network that could provide consistent training. Taylor understood this and spread his ideas far and wide, even lecturing at the Harvard Business School without a fee. Yet, it is also important to note that Taylor was the major innovator because he was the nexus of the network, often bridging a wide group of scholars (Rogers 1962).

Unlike Owen, Ure, and Babbage, Taylor was a monomaniac obsessed with management. The other three men had different interests, sometimes widely different. As Peter Drucker has noted, usually it is a monomaniac who makes significant contributions to society (Wrege and Greenwood 1991). Taylor was a change agent. He recognized that management needed to change. Through the use of his social network, Taylor and his associates passed information and created a standardized system with some exceptions. Taylor also had the ability to make clients understand the need to change. He rooted his idea, in the deep need of the United States, to produce a sense of order from the chaotic nature of post-Civil War industrial life. Taylor also made connections with various opinion leaders, either major industrialists or future Supreme Court justices. If he had avoided his blind spot towards unions, and cultivated their leaders, as his disciples had done, he could have spread the use of scientific management much more easily. In this case, his obsession against unions prevented him from recognizing an important truth – unions wished to eliminate arbitrary management as much as he did.

This led to Taylor's other important contribution to management thought – the legitimacy of the manager as a distinct class. James Burnham (1941) once argued that the emergence of the manager as a distinct class was proof that the future did not belong to Marx. It was the manager, who had the ability to control and plan, and would guide the future rather than owners. This could not have happened without Taylor, who provided management with a sense of legitimacy. Mark Suchman (1995) argued that legitimacy was "a generalized perception or assumption that the actions of an entity are desirable, proper, appropriate within some socially constructed system of norms, values, beliefs, and definitions." Before Taylor, there was neither a systematic approach nor a basic understanding of management. Through his linking to elements of the Progressive Era and changes in thought, Taylor made management a respectable profession. That he also piggybacked on engineering made this feat easier. Despite the previous developments of the nineteenth century, Henry Towne (in 1886) could still proclaim the need for a management theory. Prior to Taylor, management was not legitimate because no one was certain what it precisely stood for (Tarr 2001).

Criticisms

As Locke pointed out, it was not just that Taylor was correct in his time; it appears that he may be correct for all time. Yet it seems more profitable, and more interesting to demonstrate what Taylor got wrong since it reveals the limits of both the man and, by extension, scientific management. Taylor has been challenged on several grounds: lack of originality, ethical violations, and autocratic nature of work (Gabor 2000). Taylor has been challenged for the unethical and sensationalistic nature of his work. In fact, the charge that Taylor was a showman who often made his work more simplistic and productive is a common one. Even Wren and Bedeian (2018), who are sober defenders of Taylor, noted (based on an analysis by Carl Barth) that Taylor overstated production. For his critics, Taylor's failures (real or imagined) seem to be fertile grounds for criticism. James Hoopes (2003, p. 33) states that "Taylor often made up facts to place himself, and his work, in the best possible light, including tall tales of his work." Going even further, Hoopes argues that Taylor was a "self-righteous hypocrite," who showed a lack of consciousness, while at the same time holding others to high moral standards. Taylor was a man so hated that he was forced to have an armed guard take him home at night, or so the story goes. Another scholar noted that Taylor was a cliché that only Freud could have dreamed about (Lears 1997). Taylor has been accused of cheating at baseball and golf. His moral failing as a husband was noted by the fact that his wife seemed to get much healthier when he died (Gabor 2000). He frequently clashed with both workers and plant owners and had a distinct and almost unrivaled ability to make enemies. It seems that the only people he had apparent warmth towards were his children.

Taylor, simply stated, was not original. He did not claim to be the first person to study work. There were others, in the past or concurrently, that were using science to aid industrial labor. Donald Etz (1964) sees the systematic study in the work of the Qin legalist scholar, Han Fei Tzu. Han Fei argued that the basis of leadership was on laws rather than moral authority or personnel competence. The legalist school placed emphasis on standard laws rather than moral persuasion or Confucian ritual. During Taylor's lifetime, Wilkinson (1965) conducted research on work. This theme of multiple discoveries is a common one in social sciences, so common that we have a name for it, Stigler's conjecture – there is nothing new under the sun. Yet Wren (2005) and others have noted that Taylor was the first to take measurements with the purpose of studying work. For reasons mentioned above, Taylor's contributions changed management.

His most notable critic was the late management historian Charles D. Wrege, who chased Taylor with a ferocity and tenacity greater than Javert tracking down Jean Valjean. Wrege's initial paper on Taylor is a detailed analysis of the famous pig iron experiment conducted at Bethlehem Steel in 1899. Wrege and Perroni were able to track down the famous Schmidt, who was a worker named Henry Knoll, an immigrant, who was building his own house, a structure that stood until 1960. Knoll worked as many days under Taylor's system as he did otherwise. In addition, Knoll was not selected at random, seemed to have a boundless amount of energy, and was a sample size of one. Wrege and Perroni demonstrated that Taylor's story account varied from one telling to the next. More serious was the accusation from Wrege and Stotka (1978) that Taylor plagiarized the Fundamentals of Management from Morris Cooke. Wrege and Perroni (1974) argued (p. 26) that scholars should "think to look at the idol early enough in the game to discover that it had feet of clay before it was hoisted onto a pedestal." One could conclude that Dr. Wrege was not a fan!

What does one make of these accusations? To start, despite the claims of Dos Passos, Taylor did not cheat at baseball (Taylor and Bedeian 2008). The "pig tale" accusation is overblown. Hough and White (2001, pp. 590–591) argue that Taylor told the iron story to illustrate that even the most menial tasks can be standardized.

> Nothing was more basic than handling pig; no special knowledge, skills, or tools were required. The work was easily described to all audiences and served as an example to management that even basic processes are inefficient but could be substantially improved through systematic examination and standardization. For workers, the object lesson was that by following the instructions provided by management, rather than depending on "do your best" methods, those individuals suited to a particular class of work would earn higher wages.

Knolle was not a victim, but a willing participant who wished to earn extra money. Using analysis from courtroom testimony, they concluded that Taylor was basically honest. Taylor was not publishing an academic paper but was relaying the story using memory devices that make a connection with previous knowledge. Memory is a fickle outcome. The historian Arthur M. Schlesinger, Jr. (2000) observed that people often create memories about important events due to memory failure and attribution. Martha Banta (1993) makes a note that Taylor's stories served as a way of passing the principles of scientific management through a narrative device. These stories were less a scientific paper and more of an explanation of the principles of scientific management. The stories provided management with an understanding that they could produce more at less cost; for workers, they provided a way to get involved in management's experiments. These stories were used by Taylor's followers into the 1930s as a means of spreading the gospel of efficiency. Taylor was selling his ideas, not delivering a scientific paper.

The charge of plagiarism is a serious one, but Wrege and Stotka (1978) overplay their hand. It is true that the *Principles of Scientific Management* was written in part by Morris Cooke. But it is also true, as Edwin Locke (1982) points out, that Cooke wrote the book based on lectures that Taylor had given. Therefore, it would appear that Taylor had plagiarized based on Cooke plagiarizing from Taylor! The reality is that both men wrote the manuscript, but it was mostly Taylor's ideas, with Cooke as a contributor. Taylor also published his book with Cooke's knowledge and consent, even offering to provide royalties to Cooke. Hough and White (2001) point out that it was Taylor's ideas and published under Taylor's name. Taylor was the author in the "true sense" in that he assumed responsibility and the book was published using his authority (Hough and White 2001).

Taylor's critics have often come from the literary world, as he has been a target of writers such as Upton Sinclair, John Dos Passos, and the movie director Charles Chaplin. This is a testimony to his wide-ranging influence but also his rebelling against some of the norms of the literary and philosophical world. The principle reason for this criticism comes from the concept that Taylor's ideas reduced work to materialism since it eliminated other benefits of work replacing benefits with a pecuniary and market driven system. This criticism came from the Victorian repudiation of habit since it dims the mind. In that vein, Senator Henry Cabot Lodge preferred artisanship over scientific management due to his connection to the Italian Renaissance. Joseph M. Thomas argues that one of the reasons why late Victorians opposed scientific management was based on the notion of habit. Jackson Lears (1997) goes forward noting that the reason why many academics support scientific management was that they were not under its jurisdiction. Yet, it is also important to note that the movie *Modern Times* was not the only depiction of scientific management on screen. Buster Keaton, Chaplin's competitor, in his movie *One Week*, demonstrates the exciting and inspiring nature of work (Thomas 1993).

Taylor tended to focus on the most menial tasks with the dimmest of workers. "Schmidt," an ethnic and social stereotype created by Taylor, is not just a story device; it is also emblematic of a man with a deep bias against the lesser type (Klaw 1979). There are numerous disparaging remarks about Italians, Hungarians, and African Americans throughout his work (Taylor 1947). This attitude was typical of the middle class reformer when interacting with the poor and destitute. Aditya Simha and David J. Lemak (2010) argue that what is harsh today may not be harsh in the past. This attitude ignores that a vast many people from similar backgrounds lacked class and ethnic bias. It would be inconceivable to imagine that Mary Parker Follett would write such biased viewpoints. Although these stories did have the ability to undermine Taylor's conceptions of cooperation with the worker, as he often referred to workers as "apes" and "cows."

Taylor and Unions

Taylor's views of unions are more complex than scholars have initially thought. The traditional response was that Taylor was anti-union. While this was true in certain aspects, it was not in others. Locke was the first to note Taylor's complex position on unions, noting that under scientific management, unions would not be necessary since it addressed most of the workers' concerns, namely, the arbitrary nature of employment. Scholars, such as Wren and Bedeian (2018), Locke (1982), Bruce (Bruce and Nyland 2001), and Nyland (1998, 2000), have placed the blame on the worker for not understanding Taylorism. To their credit, Bruce and Nyland demonstrate the relationship between Taylorism and unions could have been fruitful – but not with Taylor himself.

Presumably, we base the assumption of misunderstanding on the fact that Taylor was correct on monetary pay and the systematic study of work. There has been little understanding of the peasant work culture that Taylorism destroyed. One of the common criticisms made against the Hawthorne studies was the skepticism that members of the American upper-middle class could really understand workers (Bruce and Nyland 2011; Muldoon 2017). After all, what could T.N. Whitehead, son of a Cambridge Don, understand about the worker's experience? Later oral histories would verify that this viewpoint was true. This point has not been previously made about Taylor's ideas.

In some ways, Taylor was the best friend possible for labor workers. Through his techniques, millions of workers were able to become part of the market process, whereas before they would have lacked the skills. Yet his heavy-handed nature prevented the spread of scientific management in his lifetime. George Claeys (1987, 1989) noted that workers had an easy time adjusting to life in the factory. E. P. Thompson (1963) would argue the reason for this is that workers kept their own culture, which had a different set of values than the one imposed by management. In fact, workers were neither lazy nor docile. If they soldiered, it was because there were reasons to do so – namely, as a counter strike against management.

There is a principal issue with scholars who study what Taylor said and what he did. In writing, Taylor had the ability to seem reasonable; in practice, he was very inflexible. There is little consideration of other viewpoints – a lack of empathy that has pervaded defenses of Taylor. One of the reasons why both Herbert Croly and John Dewey took issue with Taylorism was that it did not allow for democracy, going so far as to argue that scientific management was oppressive since there was no worker voice (Kloppenberg 1986). Both felt that for scientific management to work there must be a voice for workers. Others noted that scientific management was a violation of volunteerism and democracy due to its rigid standards of laws (Wagner-Tsukamoto 2008).

Taylor was naive. He shared the same ends as did most employers: he opposed trade-unions, set standards to deal with only individual workers, found ways to increase production, and opposed collective bargaining. Yet, there was considerable disagreement regarding the means of achieving these ends. Taylor believed that science should be the absolute authority, not understanding that, in the workplace, science could not create absolute laws of gravity. In addition, the implementation of scientific management required large costs with unknown outcomes. Finally, Taylor clearly understood the opportunism of workers, but not managers. He assumed that science would provide management with a full program for industrial life. As Reinard Bendix (1956) noted, management could embrace some, but not all, aspects of the program. Taylor ignored what Bendix pointed out. For example, managers could embrace piecework and the bonus system, but they could ignore the functional foreman and time and motion studies. The net result could dramatically shift power to management, causing a rapid decline. David Montgomery (1987) noted both Taylor and Bill Haywood understood that work was in the hands of the worker, in that workers often had superior intelligence than managers. In fact, some craftsmen had the ability to hire and fire their own helpers. Taylor sought to undermine what little protection workers had (Bell 1956; Montgomery 1987).

At first, Taylorism seemed to hurt, rather than benefit, workers. As Montgomery (1987) noted, the use of piecework in some industries resulted in employees only being paid when there was work to be done. Under the old system, when there was little work employees were still paid as they would produce extra parts. As Reinard Bendix (1956) has noted, Taylor was not on the side of labor – he was on the side of management. His goals reflected the goals of management. However, his conflict with management occurred because they would not uphold the results of his experiments and would not pay workers. The flaw of the piecework system was that it placed the costs of inefficiency on the worker. When there was a lack of coordination between departments, workers could be waiting until they received the parts they needed. When they did not produce, they were not paid. It was also not uncommon for management to use women and men against each other when they jointly determined piecework plans. For example, in a Bridgeport plant, women would often ignore the ceiling on the day’s output, often producing more when the men would. This caused serious problems. The notion of pay was also influenced by the social structures in which workers found themselves in. Young female workers would often produce enough to get paid for what their families needed and not more. The solution to this problem was to determine what the family needed and then deduct that from what was paid to the worker. Yet not all employers would make this distinction.

The relationship between Taylor and labor could be seen through the prism of the relationship between Taylorism and the leader of the most powerful union, Samuel Gompers of the American Federation of Labor. Samuel Gompers was not a radical labor leader. Gompers understood that the United States presented a different situation, as did continental Europe. So he rejected Marxian notions of radical confrontation. Rather he sought cooperation with management. Gompers hated socialism and made common cause with the conservative Republican leader Mark Hanna. He sought to create labor based on class, political, and economic power by making labor demands pragmatic and achievable. Union leaders did not want control of the means of production; they simply wanted their share of the cut. Gompers sought to make agreements with management to produce a standardization of practices across an industry. He did not seek strikes or boycotts as a solution, since they seemed to have little impact. Gompers seeking to use agreements was keeping with the mood of his times that harmony should replace disorder. Gompers also sought to maintain prerogatives for labor in that he opposed the immigration of unskilled workers (Kaufman 1973; Livesay 1978; Mandel 1963).

Yet, Gompers and Taylor were enemies instead of collaborators. Taylor regarded labor leaders as misleaders and Gompers as the greatest misleader of them all. For his part, Gompers regarded Taylorism as a hoax with the single purpose of getting workers to work as fast as possible. Gompers believed that the notion of systematic soldiering was a myth as well. He argued that a worker's reputation as a man, pride in his work, fear of losing a job, and hunger were sufficient motivators. For his part, Gompers did not understand that workers could band together and protect themselves from the incursion of management. Another issue that Gompers and other labor leaders had was that scientific management had a direct impact on skilled labor, often by deskilling jobs. The technical skills workers possessed shifted from the workers minds to the organization of the factory. Gompers opposed that workers only received a 40% increase in wages when production went up 400%. Gompers did not seek to gain all 400% of efforts, he understood that management had played a role in production increasing, but he could not understand why workers received such a small portion of the increase. Gompers also opposed Taylorism because he sought the preservation of unions, noting that among the supporters of scientific management, only Brandeis was a friend of labor. He was wrong in this regard. Morris Cooke was also a friend of labor, but he understood that scientific management could be used to attack unions (Kaufman 1973; Livesay 1978; Mandel 1963; Nadworny 1955).

However, Gompers views on the issue changed. The entrance of the United States in to the War created an even greater zeal for cooperation and unity, downplaying the need for class struggle. As Mandel noted, Gompers had little to say on how to promote cooperation, but he did have a suggestion, namely, the use of scientific management, to eliminate waste and inefficiency. The Commission on Industrial Relations held hearings on the subject in 1914. Labor leaders noted that, at the time, labor's opposition to scientific management would disappear if they were invited to cooperate. Taylor sought cooperation, but he wished cooperation between individual workers and management, not workers as a group. He did not seek to cooperate with labor as a group, largely because he believed that it would treat all workers the same. The new generation of industrial engineers, taking up scientific management after Taylor died, understood that cooperation was needed to remove obstacles. Morris Cooke and Robert G. Valentine became collaborators with Gompers during the war. Gompers even offered his support and cooperation to Taylor at the time of the Hoxie report, but Taylor refused (Kaufman 1973; Livesay 1978; Mandel 1963; Nadworny 1955).

The issue was not with Taylorism, but with Taylor himself. Many officials, including the chair of the congressional committee assigned to investigate scientific management, found Taylor to be most unreasonable. In fact, Taylor stated that he, and he alone, was the sole determiner of what was and was not scientific management. The largest issue that Taylor did not understand was that labor unions did not trust management. In some ways, Taylor fed this distrust by noting that management's decisions, in the past, had been arbitrary and unjust. Taylor believed that science would be the solution to the problem. What he could not understand, was that without union collaboration, unions would be distrustful of scientific management. Harold Livesay (1978) pointed out that Cooke and others believed that engineers would not be tempted to act in the interest of management because of the standards of the field. Robert K. Merton (1947) was not so sure about this idea. Agreements and contracts are created because there is distrust between parties about intentions and the ability to adhere to the arrangement. In a world of perfect trust, there would be no need for agreements because both parties would trust one another to carry out their promise. Taylor did not have an issue with labor unions, but he had an issue with labor unions primary function – collective bargaining (Nigro 1986). How could Taylor support unions at the same time as disagreeing with their primary function? This would be like saying that you are fine with scrambled eggs, but you dislike the egg part.

Unions defended seniority on the basis of collective agreement, revealing that they preferred negotiated contracts to legislated or discovered rules. Collective bargaining was what unions regarded as cooperation. If they were going to surrender control over work, they needed additional protection through collective bargaining. This was their version of cooperation. When Taylor stated he viewed collective bargaining as antithetical to scientific management, he was basically saying to unions that he did not believe in cooperation. No wonder they regarded him as a liar (Nigro 1986).

Taylor and Peasant Culture

Most scholars have based their research on the relationship between Taylorism and workers on traditional labor history. This approach is flawed because it ignores the fact that most workers were non-unionized, with a distinct culture that was opposed to Taylor's notions of maximizing utility. Many modern scholars believe that maximizing utility is an automatic feature of the society – when in fact, it is not. The assumption made by many was that the Protestant work ethic emphasized the value of achievement. However, as Herbert Gutman (1973) noted, the Protestant work ethic was merely one of the ethical and cultural models that existed among workers. Taylor made the same mistake himself, being unaware that economic benefit is not the sole reason why people work and, in some cases, in traditional societies, it is not a major reason. Most workers drawn into the factories maintained a belief system that was the product of a preindustrial and rural/village in orientation. Workers bring more than themselves to the workplace. They also bring their culture. This type of ethos played little emphasis on economic gain and property rights and more emphasis on cooperation and enjoyment from work (Gutman 1973; Locke 1982).

The notion that workers should work hard all week was not a commonly held viewpoint. In fact, in times of celebration (such as a wedding), workers would take many days off. As E.P. Thompson (1963) noted, the workplace was a combination of intense labor and bouts of idleness. The common picture was that workers did not take breaks until scientific management. This could be further from the truth. Montgomery notes that idle time could be up to 70% of the work experience. From this perspective, rather than providing breaks, scientific management actually made the workers work more! Employers were aware of these issues and often did not demand a full day's work. The notion of specialization created anxiety among workers. They even opposed specialization when it brought higher pay, preferring the variety that came from work. Other workers were driven by wages with a lack of care for safety. They wanted higher wages because the sooner they were paid, the quicker they could go back to their homeland, even if the conditions were unsafe. Their conflict with Taylorism was that they were not paid enough. Daniel Nelson (1980) noted that Taylorism provided a better deal than did the previous way of working, but David Montgomery (1987) also noted that Nelson and others ignore the heavy price of industrialization.

It took a long period of time for workers to establish a class consciousness. There is no reason to expect, as demonstrated by studies, that workers would automatically desire higher wages. In fact, economic desires are often a self-fulfilling prophecy. Gutman (1973, p. 541) noted "that American working class was continually altered in its composition by infusions, from within and without the nation, of peasants, farmers, skilled artisans, and casual day laborers who brought into industrial society ways of work and other habits and values not associated with industrial necessities and the industrial ethos." In fact, it was not until the 1930s, when popular culture emerged, that a consistent set of values came to the working class, creating a common class consciousness when all we had before was a mass of competing ethnic groups. One of the reasons why industrial/organizational psychology became a major field was to make the workers able to function in a factory setting. The Second War would speed this process up. Once it did, the roots of scientific management were able to take hold thanks to the collaboration between management and labor.

One of the reasons why union leaders wished to collectively bargain was to ensure that workers did not suffer from arbitrary treatment (Gutman 1973). Both unionized and non-unionized workers determined where to set production levels. They often found pride in their work. The craftsmen included positions (such as mule spinner, brick layers, iron workers, boil makers, and miners) that were often considered to be simple jobs manned by the most unskilled of workers. It is important to note that often labor had to struggle to keep pace with management. Their control over work was by no means assured. Compounding this problem was that the face of the factory changed as more and more immigrants brought with them new attitudes and values that were often in opposition to management. Workers often stated manly virtues, which featured dignity, egalitarianism, responsibility values, as a means of demanding respect and often glared back at the boss. Some workers would not work if they were being observed. Doing more at work was considered hoggish and at the expense of their brothers. Work control was based upon technical, as well as ethical, aspects of work. Taylorism threatened both. Union rules codified these basic workplace values. As time moved on, strikes became less about wages and more about enforcing unions rules and recognition.

Taylor's movement was not just a push to standardize work – it was also a response to uproot the practices that had protected labor. The movement also sought to discredit labor practices and, by extension, workers knowledge. Taylor stated that even the best mechanic could not understand what scientific management was. Taylor's comments about soldiering on were a shot against worker culture. His statement about the "first-class man" would have sounded, to the worker, like someone who was attempting to better himself at the expense of his brothers. This attitude would have been more acceptable to craftsmen, but less acceptable to the majority of workers (Gutman 1973).

In his testimony to congress, Taylor boasted that scientific management would eliminate the vast amount of knowledge and experience from workers. Many workers were against Taylorism because they would lose prestige and importance. Often times, workers were required to work more under scientific management due to the glut of workers. Taylor's belief that he could discern the laws of work was an act of hubris. When hubris is present, its sibling, nemesis, is soon to follow. One of the aspects of rationalization is attempting to gain the consent of others in the system. Failure to do so will create more conflict. Taylor's inability to see this issue helped to create conflict between labor and management, where none had to be. The problem, as Bruce Kaufman noted, was not that scientific management was not sound in theory, but its implementation was flawed. It was flawed because managers could be opportunists, a fact that labor well understood. Labor unions wanted a voice to negotiate arrangements, something that scientific management did not allow. Management also disliked the intrusion of experts onto their prerogative. Industrial and human relations were not just a correction of the old laissez-faire system but also engineered designed management. Taylor's defenders argue, with considerable justification that not all jobs would be specialized. What Taylor intended was to match worker's abilities to the job – unskilled workers would do unskilled jobs and skilled workers, skilled jobs. Yet the general lack of distrust on the part of labor caused them to misunderstand Taylor's point. Taylor himself did not help this problem by referring to workers as apes and cows (Gutman 1973; Nigro 1986).

Conclusion: Flawed Giant

Frederick Winslow Taylor was an idealistic empiricist. The contradiction between these two ideas was reconciled during the Progressive Era, but not in Taylor's mind. Despite his obvious intelligence, experience, and education, or because of, Taylor was unable to remove himself from the plant floor, unable to see the clay feet of scientists. He remained more concerned with worker opportunism than he did management, believing that management's problem was based on knowledge. Taylorism was based on a major assumption, one that remained from the old industrial order that workers (and management) pursue self-interest and attempt to maximize prosperity. This assumption is untrue – even people at the time understood that both parties can fail to cooperate, even when it was in their best interest. As we have seen from the work of both Gutman and Montgomery, there was a vast gulf between Taylor and immigrant workers. The ease at which they settled into the factory system versus the difficultly they had settling into Taylorism suggests that the fault lay with Taylorism. It has been repeated both in the United States, Great Britain, and elsewhere, that Taylorism and the worker culture had an enormous gulf, one that Taylor was unwilling and unable to bridge due to his idealistic nature (Whitston 1997).

As Bendix and others pointed out, the scientific management movement dovetailed with the open shop movement to undermine the nascent union movement. Both combined to change the image and working conditions of both labor and management. Bendix (1956) noted that scientific management encountered problems from both labor and management. The principle problem was that employers could take or leave scientific management as they saw fit. Despite the attempts of Taylor to control his innovation, other adapters were free to use it as they saw fit. Accordingly, this freedom could be potentially abused by various employers. Labor had to resort to either clandestine resistance or use the political realm. Management attacked labor because labor attacked the celebrated myth of good judgment and the superior ability of management. Labor attacked management for the simple reason that management invaded the work zone and made it appear that there was little in the way of actual cooperation. It is highly doubtful that a modern consultant would be able to have as much leeway as Taylor desired. Nor could Taylor control his intellectual property rights due to the ability of corporations to reverse engineer scientific management. With little safeguards on management, as well as the erosion of previous safeguards, unions could find themselves at the mercy of management. If stripped of their ability to collectively bargain, they would be at the mercy of owners. Therefore, under pure Taylorism, there was little incentive for workers to adopt scientific management (Kreis 1995). As Kipping (1997) noted, scientific management was popularized due to its spread by the government, which workers had trust in.

Scholars blame the failure of labor to understand the process. In truth, the mistake was on the part of managers and later scholars to understand peasant work culture. A great part of the research involving worker resistance has come to focus on union resistance to scientific management, ignoring the fact that most workers were not unionized. Nor did they understand the vast conflict between Taylor's rationalism and the peasant work culture. When people go on benders for days at a time, how could pay be the most important motivator? This idea of maximizing utility, a common mind-set in our time, did not exist for all time. It was, as Daniel Bell (1956) argues, the result of management thinkers rationalizing the work place, as they did with other aspects of life. Scientific management eliminated the peasant work culture. Several examples of the New Labor History in this paper illustrate this issue.

Yet, despite his lack of understanding of peasant culture, Taylor was a progressive and a modernizer. Because of Taylor's pioneering work, the working class became middle class – with property, ownership, and consumerism becoming common behaviors. Bruce and Nyland's notable contribution is to place Taylorism within the larger progressive and liberal atmosphere of thought. It was not clear to many that

Taylor would be listed as a progressive. Many of the classic works on progressivism do not list Taylor or scientific management as a notable contribution despite Taylorism's clear response to addressing social concerns through the presence of a scientifically trained middle class. Scientific management is often forgotten in most approaches of the progressive age. Neither historians nor most social scientists consider scientific management an important subject – since it was perceived as not being related to politics or social uplift, only to the base pursuit of profit. Where scholars have followed scientific management, they have done so up to the end of the progressive age. Samuel Haber (1964), for instance, assumes that scientific management ended with the progressive era after the World War. He was correct in a way; scientific management became simply management (Merkle 1980; Tipple 1970). Management scholars are aware of the benefits of scientific management and this could explain why management holds Taylor is such high esteem whereas other fields do not.

Sadly, Taylor's system failed to discover any hard and fast truths. Taylor made two assumptions. Firstly, scientific laws could be found at work. Despite a century of workplace studies, predictions remain poor as to the practical benefits of research. If this is the case, his failure to understand worker protection becomes all the worse. The lack of collective bargaining limited the appeal of his program. Taylor did not recognize, at least at the time of his death, the value of collective bargaining and unionization as a means of rationalization. Secondly, he also failed to understand that what he valued and what the worker valued were different things. Taylor's assumption that workers were utilitarian was a false one. What Taylor failed to recognize was that many times what appears to be science was merely a set unchecked assumption. Like many social scientists, Taylor believed that he had scientifically created a set of laws, but he merely was a prisoner of his own heuristics (Kreis 1995).

Cross-references

▶ Organizational Psychology and the Rise of Human Resource Management

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Henry Ford and His Legacy: An American Prometheus

22

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to discuss the complicated life and history of Henry Ford. While Ford was an engineering genius, his ignorance of politics, incomplete management philosophy and drive to be independent nearly destroyed his legacy. His life, career, management style, relationships with Alfred Sloan and Taylorism are discussed.

Keywords

Henry Ford · Fordism · Alfred Sloan

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Many figures in management history are shrouded by paradox. This theme is most true of Henry Ford: hero and villain, visionary and reactionary, defender and scourge of the worker, genius engineer and inept manager, the anti-Semite whose factories helped to destroy Nazi Germany, a deep internationalist whose rhetoric provided support for isolationism, and a pacifist who was a war profiteer. Ford was the richest man on earth whose corporation did not turn a profit for 15 years. Ford proved the statement that if you live long enough, you will become a villain. Had Ford died in 1918, soon after his Senate defeat, he would have been seen as a prophet and a martyr (Lewis 1976). Yet he lived on, facing a world that no longer supported him and one that he did not support. That Ford remained a hero is a testimony of his previous greatness and his ability at public relations (Watts 2005). Despite his faults, Ford is still considered the greatest business leader in history (McCormick and Folsom 2003).

Ford continues to cast a deep shadow on business practices. Even more than Frederick Winslow Taylor, Ford was the creator of the modern world. David Halberstam (1979) wrote, "yet, though he shared the principles, yearnings, and prejudices of his countrymen, he vastly altered their world. What he wrought reconstituted the nature of work and began a profound change in the relationship of man to his job." Ford left such a deep impression that Aldous Huxley's classic work, *Brave New World*, has divided the world into Pre-Ford and After-Ford history. Ford was both a genius and an ignoramus. His vision gave birth to the modern world, continuing the transportation revolution of the nineteenth century into a complete transformation of the modern world. Yet despite his genius, Ford was completely ignorant and unsure of how the United States became a nation. However, Ford also had a deep respect for history. He may not have known who murdered President Lincoln in Ford's theater, but he certainly would have owned and persevered the theater box for future generations (Lacey 1986).

That Ford should be included in a book about management thinkers is something of an irony as, according to Peter Drucker (1954), Ford sought to eliminate the need for management. Once again, this irony is apropos. Ford's life was a combination of triumph and tragedy caused by the inherent paradox of his own values. Although Ford is seen by most as a man of the future, leading the world into the modern industrial era, he remained, at the same time, someone who yearned for the small-town, agrarian simplicity that the advent of cars ended. If we are to place this paradox in terms of American tradition, we would state that Ford had elements of the Whig and Jacksonian traditions in his intellectual prevue. The Whig tradition, as exemplified by such luminaries as Presidents John Quincy Adams and Abraham Lincoln, stressed knowledge, science, and technological development. Its emphasis was on the future (Howe 2007). The Jacksonian tradition (named after President Andrew Jackson) focused on self-reliance and independence as its primary focus (Meyers 1957).

The son of a farmer and an advocate for rural America, Ford found himself very much in the Jacksonian tradition of self-reliance and independence (Kline and Pinch 1996). Much of Ford's program stressed above-market wages, shorter working days, consumerism, to design cheaper products, both from an economic and ideological perspective, and to provide workers with independence (Lacey 1986). Ford's desire to maintain independence – whether from investors, managers, banks, or the federal government – was the hallmark of his management thought and actions (Nye 1979). Despite his fabulous wealth, Ford remained the son of a farmer (Gelderman 1981).

Ford attempted, in vain, to save rural America (Wik 1962, 1964). However, his own efforts furthered its destruction as Ford's strategy led to the growth of the suburb. Ford also was a Whig; although the son of a farmer, he was trained as a mechanical engineer, one of the positions that made the new world possible (Howe 2007). Whigs stressed technological and transportation improvements to unite the country to ensure the proper development of society. They stressed hierarchy and moral improvement of society. Even some of the odious elements of his paternalism, such as his dislike for alcohol and his monitoring and education of employees, have its roots in the nineteenth century. Robert Owen would have found much to admire in his actions. The Whigs strived for economic consolidation, trade, and, unlike Jacksonians, did not fear integration or large wealth. Like Ford, the Whigs were great believers in technological advancement. The Whigs also stood for order and rationalization of processes (Howe 2007). Such processes meant centralization of authority and power. Ford was not a small businessman; he owned one of the largest companies on Earth. Yet he ran his corporation the way you would run a small business where cronyism, owner whims, and paternalism dominate (Jardim 1970). His actions were often indicative of one who wished to maintain control over his company – something that becomes more difficult with increased size and the stakeholders that follow that size. As McCraw and Tedlow (1997) noted, this tension created a great and unresolved paradox in Ford's mind and actions.

The purpose of this chapter is to examine the career, life, and context of Henry Ford to understand his contribution to management thought. The first part of the chapter goes through Ford's background, the foundation of Ford, its epic growth, and the idealistic ignorance of Ford. The second part focuses on Ford's management philosophy, the sociology department, wage policy, and Ford's relationship with scientific management. The third part of the chapter focuses on the sad decline of Ford and the Ford Motor Company, with special emphasis on his anti-management philosophy and his competition with Alfred Sloan and General Motors.

Biography

Henry Ford was born in 1863 to an Irish-born farmer named William Ford, whose family had fled Ireland to escape from the potato famine of 1846–1848. Ford immigrated to America in the belief that he would be able to find work and own property – noting that in America, you were an owner and not a renter (Halberstam 1979). William Ford had natural ability as a carpenter, making enough money through work and saving to buy a farm. Despite his son's numerous accomplishments – and the immeasurable wealth that he would one day collect – Henry would remain, in his heart (like William), an agrarian – believing in the simple world of the small town. Like many agrarians, Henry Ford disliked banks, believing that it was idle money (Lacey 1986). Once, when one of the children of his friend boasted about his savings, Ford responded he would have been better off purchasing tools and making something. Ford maintained this attitude all of his life, focusing on creation, work, and thrift, rather than leisure – the man who made the modern world remained hopelessly stuck on the virtues of the nineteenth century (Gelderman 1981).

Yet despite his love of the country, Ford hated farming, initially disappointing his father, who wanted his son to take over the farm (Nevins and Hill 1954). Ford also hated school, believing that learning was not an end in and of itself, but rather believed that learning should be hands on and technical. He despaired learning about moral lessons from the school reader, even if he would deploy these lessons later in his life and in the lives of his workers. This gap in his education continued as he got older, explaining why he was an ignoramus on a wide variety of issues and facts. Ford's true love and talent was for machines, for which he showed both a true aptitude and passion. Ford could take a machine, separate the parts, put it together, and make it run better. In just his early teens, he built a machine that allowed his father to open the gate to the farm without leaving his wagon and demonstrated that he had a natural ability as a watch repairman. At 17, Ford left the farm, walking half a day to Detroit – a journey that changed the world.

Detroit was just then becoming a major industrial city, featuring 10 railroads, machinist shops, and foundries. It was an ideal spot for a talented, hard-working mechanic. Indeed, the country was going through the industrial revolution, and there were plenty of opportunities for the talented. Ford soon found work at James Flower & Brothers and then later the Detroit Dry Dock, where he secured work as a machinist (Brinkley 2003a, b). He also worked at the McGill Jewelry Store, cleaning and repairing watches. It was there that he had his first idea about making a watch so cheap that everyone could purchase one. While the technical aspects appealed to him, marketing the watches did not. Ford's disinterest in understanding markets would later haunt him in the future. While Ford had been trained as a mechanic, the only business training, practical or otherwise, was his learning about basic bookkeeping.

His father wanted Ford to return to the farm, and so he did, getting 80 acres from his father. His time on the farm convinced him that his passion and future was for machines (Lacey 1986). He attempted to build a steam-powered tractor, but he recognized that future lay with the internal-combustion engine, and so he sought to build a "horse-less carriage." First, he felt that he needed more training in electricity, so he got a job Detroit Edison. Soon he built his first car and sold it for $200. He soon convinced William Murphy, a lumber merchant, to start his first company, Detroit Automobile Company. The company was successful, but the investors did not share his enthusiasm for building a car that the working class could use. So in 1900, the company was dissolved. In 1903, Ford started a new company that still bears his name today (Nevins and Hill 1954).

Ford needed capital to start the company, so he began to sell stock in his enterprise to investors. Despite the initial early success of the company, his investors doubted the over strategy of the company, in particular Alexander Malcomson. According to David Halberstam (1979):

> Malcomson, like Ford's prior backers, argued that fancy cars costing $2,275 to $4,775 were what would sell. At the time, nearly half the cars being sold in America fell into this category; a decade later, largely because of Ford, those cars would represent only 2 percent of the market. Malcomson wanted a car for the rich; Ford, one for the multitude. Though the early models were successful—the company sold an amazing total of 1,700 cars in its first 15 months—it was the coming of the Model T in 1908 that sent Ford's career rocketing. It was the car that Henry Ford had always wanted to build because it was the car that he had always wanted to drive—simple, durable, absolutely without frills, one that the farmer could use and, more important, afford. He was an agrarian populist, and his own people were farmers, simple people; if he could make their lives easier, it would give him pleasure. He planned to have a car whose engine was detachable so the farmer could also use it to saw wood, pump water, and run farm machinery.

The investors made vast fortunes. James Couzens, future US Senator, invested $2400 and, when he sold his shares back to Ford in 1919, received $29 million (Lacey 1986).

The Model T was, arguably, the most successful product ever released (Brinkley 2003a, b). More than 15 million were launched from 1908 until 1927. The shutdown of the Model T was considered a watershed moment in automobile history. In fact, Brinkley (2003a, b) selected the car as the most important automobile of the twentieth century. It was designed to handle country and dirt roads better than cars that were more expensive. It was tough, durable, reliable, inexpensive, and painted black. Ford selected the color black not because he liked the color per se but because black paint dried quicker than other colors (Drucker 1954; McCraw and Tedlow 1997). Nor was it, contrary to popular mythology, the only color the car ever came in, as the universal application of black paint was not implemented until 1914. Previously, buyers of the Model T had the option of gray, green, blue, and red.

Once Ford had created the general model, he started on the process of making the cars cheaper and quicker to produce than anything else in the automobile industry (Brinkley 2003a, b). To do so, he hired the best efficiency experts, moved the location of his plant, and based on the suggestion of Walter Flanders, moved production into an assembly line – with the sole purpose of increasing production to staggering amounts (Halberstam 1979). Before the development of the assembly line, it had taken roughly 13 h to produce a chassis. After the development of the assembly line, it would take about five and a half hours to produce a chassis. By 1914, after Ford had added a conveyor belt to move items along the line – giving the "assembly line" its classic image – the time it took for a chassis to be produced was reduced even further, to only 93 min (Batchelor 1994).

Given the reductions in production time, the number of Model Ts produced went from 13,840 in 1909 to 260,720 in 1913, and finally to 2 million in 1925. When the Model T was first produced, the company's cash balance was $2 million; when it ended, it was $673 million. Ford outproduced the rest of the automobile industry. As Halberstam (1979) wrote:

> In 1913 the Ford Motor Company, with 13,000 employees, produced 260,720 cars; the other 299 American auto companies, with 66,350 employees, produced only 286,770. Cutting his price as his production soared, he saw his share of the market surge—9.4 percent in 1908,

> 20.3 in 1911, 39.6 in 1913, and with the full benefits of his mechanization, 48 percent in 1914.

Ford Motor Company was, to use an entrepreneurship term, a gazelle, one of the rare companies that can experience growth rates that exponential (Wren and Greenwood 1998).

Ford selected to use what later came to be known as Porter's generic strategy of cost leadership (Porter 1980). The development of the assembly line system and the specialization of labor and coordination of business activities meant that Ford could produce the least expensive car and a durable one at that. The fact that Ford was able to produce such a good car, one that fit the roads at the time, was another source of competitive advantage. Other companies could not compete. Ford also recognized that he gained market share by slashing prices on his cars. In 1909, the average profit was \$220.11; in 1913, the average profit was \$99.34. Ford recognized that if he reduced prices, the more he could sell. The price of the Model T went from \$780 in 1909 to \$350 in 1914, and at that price, Ford sold 730,041 cars (Nevins and Hill 1954). Ford was aided by the discovery of oil in Spindletop, Texas (Halberstam 1979). The net result was that the price of gasoline was drastically reduced, making the internal-combustion engine utilized by the automobile even cheaper to use. Ford also benefited from being in the United States where the vastness of the national territory had long created problems with regard to internal population movement. By contrast, automobile production in Great Britain was initially curtailed by the so-called the red flag law, whereby under the *Locomotive Act 1865* internally powered vehicles were required to have a crew of three, one of whom carried a red flag to warn other road users; a law that was not repealed until 1896 (McCraw and Tedlow 1997).

Jacksonian Viewpoint and Ideology

The Jacksonian movement was a vast political and social movement led by President Andrew Jackson (President, 1829–1837) as a response to the growing market and transportation revolution then occurring in the United States. Like other political movements, there were various debates among those who considered themselves to be Jacksonians (Sellers 1991). Nevertheless, there was overlap among those who identified with the Jacksonian ideology. According to Marvin Meyers (1957: pg. 6),

> Jacksonian spokesmen drew upon an exhaustive repertory of the moral plots which might engage the political attention of nineteenth-century Americans: equality against privilege, liberty against domination; honest work against idle exploit; natural dignity against factitious superiority; patriotic conservatism against alien innovation; progress against dead precedent.

Above all, Jacksonians disliked institutions, such as banks, that prevented them from exercising their freedom to pursue their own interests while avoiding complex legal and economic arrangements. They preferred producers to bankers, social arrangements to public arrangements, and sought to make democratic that which had been the domain of the wealthy. They sought the American dream on individualistic terms (Feller 1995).

Many believed Jackson to be a tyrant (Howe 2007). So a second political party formed as a response to Jackson, called the Whigs, named after the British political party. Like the Jacksonians, the Whigs had a futuristic mindset and vision of American Greatness. Unlike the Jacksonians, the Whigs stressed modernity, the development of social and economic arrangements that would allow for unity in the national political life. For example, the Whigs stressed the development of a strong banking and transportation system as a means of producing higher degrees of growth throughout the nation. In addition, they sought an education system that would train a professional class. In some ways, as Robert Wiebe (1967) noted, the progressive era was, in part, driven by Whig notions of rationalization, unity, and order becoming the standard. Big business would now be regulated by the government; its executives would be professionally trained; ownership and management would be separate.

Ford was an admirer of Jackson, even visiting Jackson's home, the Hermitage (Nye 1979). Much like Jackson, Ford hated unearned profits and investments. Rather Ford sought to invest his profits back into his business and reduce the costs of his cars. Much like Jackson, he believed that once laws and economic relations were established, economics should be left in private hands rather than entrusted to the government (Nye 1979). Ford sought an enlightened industrial leadership, largely a political one dedicated to "spreading the benefits of production." Ford hated both capitalism and socialism, since it placed nonproducers in charge of the economy. He hoped that his system would provide the benefits of both capitalism and socialism through the enlightened administrative elite (Nye 1979). Although Ford hated welfare, the Ford Motor Company's Sociology Department (established in 1913) provided a broad range of welfare benefits, causing Ford to be regarded by many as the founding father of welfare capitalism (Brandes 1976).

Yet there was a vast contradiction between Ford's dreams and his overall goals. Namely, that Jacksonians would have viewed Ford's corporation with a degree of suspicion due to its size. Progressive era thinkers, such as Woodrow Wilson and Louis Brandeis, feared the accumulation of capital, especially its threat to politics, and sought to break up large corporations (Cooper 1983). Others, such as Theodore Roosevelt, sought to regulate monopoly. The United States shifted toward Roosevelt's view. No longer did business have a free hand; increasingly the business executive would have to work under government regulation (Cooper 1983). Ford's transportation revolution played a similar role in that it allowed for greater connectivity. Rather than a series of loosely connected regions, better transportation connected the country, making bureaucracy possible (Wiebe 1967). Finally, Ford's desire for an administrative elite would have meant increased education and training. Each of these elements would have encouraged greater rationalization. Ford sought solutions to a world that no longer existed. The United States had become a rationalized country where managers, rather than entrepreneurs, were the guiding light – a framework that would last until the 1970s (Patterson 1997).

Management Thought and Contributions

Ford's contribution to management thought was transforming workers into consumers, as Nye (1979) states, "sustaining prosperity between capital and labor." Ford's contribution to management was severalfold. The first and most important contribution is found in his establishment system that came to be known as "Fordism," and which was characterized by cheap, mass-produced goods and labor forces sufficiently well-paid to afford the fruits of their labor. Fordism had three distinct elements to it. Firstly, products needed to be standardized – made by a combination of machine and unskilled labor. Secondly, the assembly line would feature unskilled workers working in specialized jobs. The assembly line was, mostly notably, the most impressive feature of Ford's genius. The historian Douglas Brinkley (2003a, b) argued that Ford was a more notable contributor than Taylor since the assembly line made efficiency practical rather than theoretical. Taylor's biographer, Robert Kanigel (1997), agrees arguing that Taylor would have been incapable of producing such a process. Thirdly, the employees would be paid a living wage with the idea that they should purchase from the corporation. Ford's fourth contribution to management was the development of the sociology department to aid in the Americanization and training of workers. Ford's fifth contribution was the development of welfare capitalism (Brandes 1976).

Five-Dollar Day

The "Five-dollar day" was perhaps the most distinguishing feature of Ford's managerial contribution (Meyer 1981). It is also still referred to as a distinct contribution by the Ford Motor Company. The Five-dollar day is usually mentioned by Ford's defenders when his attitudes toward labor are mentioned. The Five-dollar day is one of the most discussed and analyzed events in business history (Nevins and Hill 1957). The reason was that the Five-dollar day greatly raised wages for the employees – the great majority of employees had only been making $2.34 a day. There are numerous arguments for why Ford raised wages. Nevins and Hill (1954) view this as an idealistic step on the part of a man trying to do the right thing for workers. Meyer (1981) views it as a form of social control to block attempts of collective action on the part of the worker. Lacey (1986) views it as an attempt to purchase the good faith of workers to overcome their turnover concerns. In addition, it could be seen as an attempt to make investors happy, who were growing concerned over issues related to turnover, which was rampant. Nye viewed it as an attempt by Ford to destroy socialism by promoting a more egalitarian form of capitalism. Ford claimed it was part of a process in which he gained improved marketing. Raff and Summers (1987), two economists, note that marketing was a potential explanation for Ford's decision-making.

Raff (1988) argues that there is little evidence to suggest that there was anything gained from offering above-market wages. The market itself was low skilled; people were still willing to work at the company. Raff wrote:

> "But I have found no evidence whatsoever that the company had any difficulty filling vacancies (actual or prospective). There are no traces that the company advertised for help." He also argued that there was little cost in training new to hire workers. Adverse selection in labor is the idea that workers possess characteristics that prevent them from performing on the ideas that are known to them, but unknown to the worker. Raff based on Meyer argued that this was not the case: Division of labor [had] been carried on to such a point that an overwhelming majority of the jobs consist of a very few simple operations. In most cases a complete mastery of the movements does not take more than five to ten minutes. All the training that a man receives in connection with his job consists of one or two demonstrations by the foreman, or the workman who has been doing that job. After these demonstrations he is considered to be a fully qualified "production."

Moral hazard, the idea that some workers may not work hard or ignore their duties, was also dismissed, because monitoring had been improved. Raff argues that there is little evidence of poor or incomplete work.

Raff's (1988) opinion was that the Five-dollar day was a rent-sharing arrangement between the company and labor to prevent collective action on the part of employees. While it would have been possible to contend with a single employee, if whole groups of employees caused problems with the firm, the firm would be unable to handle the rebellion:

> The profits were bigger the more efficiently all these machines were used, the more intensively all fixed and quasi-fixed factors were exploited. Collective action which interfered with this was a direct threat to the rents. The company's means of dealing with shirkers (or anyone who wanted to interfere with centrally determined pace and coordination), however effective for isolated individuals, would have been much less efficient in dealing with groups.

Likewise, Ford understood that the employees came from cultures where peasant norms and values were very different and so they would be more likely to question authority.

Raff and Summers (1987) offer a slightly different viewpoint. They argue that Ford did experience above-average returns from a higher wage: They experienced queues in waiting for jobs and had a better selection of employees. All of which suggest that Ford did pay efficiency wages. There are several reasons why increases in wages lead to an increase in production. Firstly, Ford recognized that there was a serious morale problem at the plant. He also recognized that monitoring employees could be very costly and detrimental to the working conditions. So he decided to head it off by providing higher wages. Nevins and Hill (1954) pointed out that Ford had seen employees become more productive when wages were increased when he visited a plant in England. Raff and Summers (1987) also concede that increased morale may have been a source of an increase in production based on wages. Finally, Ford and the company understood that not every employee would be able to handle the working conditions (Meyer 1981). Therefore, Ford was willing to pay those that would work within the system and create a boost in production. Mostly, as Meyer notes, the Five-dollar day was an attempt to provide a great sense of rationalization over the workforce – educating immigrant workers on the need to work wages.

Sociological Department and Savings Plan

The Sociological Department is another notable managerial contribution by Ford (Nevins and Hill 1957). It has confounded many historians over the years as to its real purpose. It is also the most conversational element of the Ford program. Brinkley (2003a, b) noted that the home life of the employee should not have been the business of the corporation. Yet as we have noted in the previous chapter on Owen, there was a deep interest in the home life of employees during the eighteenth and nineteenth century. Headed by the Rev. Samuel S. Marquis, the purpose of the sociology department was to educate workers and their families on the proper use of money, the development of adequate moral behaviors, and to provide English language lessons for new immigrants. They also sought to Americanize immigrants by teaching them how to save, keep flies off food, and general cleanliness. The Ford sociology department, in other words, performed actions similar to social workers in the United States and elsewhere (Katz 1996). It was also in accordance with Ford's wishes that people should be independent or rather Ford was teaching them to be independent by developing a sense of thrift. The other side of the sociological department was nefarious. Its purpose was to spy on workers and their families to make sure that they were not wasting their salaries. This was a strange viewpoint, but it fitted Ford's image of himself as a village chieftain (Jardim 1970).

The employee savings plan was yet another example of Ford's managerial philosophy. According to Nevins and Hill (1957), investment certificates were available in dominations of $100 to employees. These certificates were comparable to nonpreferred stock and were available to any employee who stayed on payroll. The certificates yielded 6% interest and dividends. The certificates were non-negotiable and nonassignable. In addition, the employee could only use one third of his salary on them. Despite the limitations, the savings were popular, and they were designed to aid employees when there was a downturn in the economy.

African American Employees

Ford was willing to hire anyone – except women and Jews (Lacey 1986). He believed that women should work at raising children, keeping home, and running the house. His hatred of Jews will be discussed later in this chapter. Yet he was willing to hire anyone else. Although in our time we would regard these opinions as retrograde, they were surprisingly enlightened for the time-period. Ford was especially keen on hiring African American employees. In fact, a great many African Americans moved to Detroit with the understanding that they would find employment from Ford. The type of African American worker whom Ford sought to hire were young men, unmarried, but in search of long-term employment so they could get married. In fact, work at the Ford Motor Company was seen, along with the Pullman Company, as regarded as one of the best jobs that a member of the African American community could aspire to. Not only were they attractive, failure to get a job at Ford usually meant that the applicant had to leave Detroit and – almost certainly – delay marriage. More remarkable was that Ford actually paid the same wage to African Americas as he did whites – a most unusual policy (Maloney and Whatley 1995).

But there were limits to Ford's largesse. Like everything else he did in his career, there were usually strings attached. Ford did not believe in charity. He also sought to turn a situation to his advantage. African Americans did not have other employment options available to them. Ford understood this. Yet given his job design, he had serious turnover problems. One solution to these problems was to have African Americans work in foundries, the hottest, most dangerous place to work in the corporation (Foote et al. 2003). White males did not have these issues – they could leave Ford easily and find employment elsewhere. Ford also encouraged racial divisions through his use of the police service for preventing unionization. One of the reasons why the United States struggled with forming strong labor groups had been the racism of the American workers. Ford used this idea to his advantage, sowing discord between white and African American workers (Brueggemann 2000).

Unions and Politics

Ford's relationship to labor was a highly complex and, at times, contradictory one. Ford was, at his heart, a deeply paternalistic man who viewed himself as a chief of the village. Ford's reputation as being hostile to labor was one that was justifiably born out of his resistance to unionization at the Ford Motor Company during the 1930s (Kennedy 1999). The picture of a beaten and bloody Walter Reuther – the long-term leader of the United Automobile Workers who was beaten to near pulp along with a number of aides outside Ford's Rouge plant in Many 1937 – recalls some of the harrowing photographs that were (and could have been taken) in Nazi Germany or Soviet Russia (Lichtenstein 1995). Ford hated unions. The reason again was simple. They were a threat to Ford's independence. His position against unions was strengthened through his relationship with Harry Bennett, the head of Ford security. Bennett played on Ford's worst fears, suggesting that union members may try to assassinate and kidnap him (Lacey 1986). Even before Ford's battles with the United Automobile Workers – when Ford maintained a reputation as a generous and benevolent manager, he was notable for the control he sought to exert over his workers' private lives – firing them for drinking or smoking.

Ford was no ordinary ogre to workers. Ford dramatically raised wages with the Five-dollar day. He pushed for the 8-h work day. He allowed for weekends off. In addition, he provided his workers with financial services, social services, and education, enabling them to move into the middle class. At the start of the Great Depression, Ford raised wages, at the behest of President Hoover, to $7 a day. Many of the services that Ford offered his workers were key objectives of the American labor movement. Brandes (1976) noted that American unionists wanted aspects of welfare capitalism in their bargaining and political activities rather than taking more control of the workplace. Gordon (1992) noted that the later union movement merely federalized what management had promised workers in the 1920s.

Ford provided these services, in part, not out of altruism but because he wished to avoid unions. There were multiple ways to deal with the so-called labor question. The first was to have unions, capitalistic in nature or radical. Worker representation plans like the ones the Rockefellers proposed was a potential solution (Bruce and Nyland 2011). Ford was part of what has been called as the welfare capitalism movement. The welfare capitalist movement was designed to overcome the labor problem. In fact, from a modern eye it offered similar benefits that modern corporations currently run, including retirement benefits, life insurance, bonus and profit-sharing, educational, and recreational activities. According to David Kennedy (1999), the real purpose of these plans was to maintain corporate control over labor, by proposing programs that the federal government might offer. Kennedy also notes that these plans were often poor substitutes to entitled government programs and collective bargaining. The Great Depression mostly ended these programs due to the corporations' inability to maintain them (Cohen 1990). Eventually even Ford abandoned their programs.

Ford also had real difficulty with the National Recovery Administration (NRA), which was President Franklin Roosevelt's first attempt to deal with the Depression (Gordon 1992). The purpose of the NRA was to end the deflationary wage-price spiral in which the United States found itself through a combination of price controls, strengthened trade union rights and government, and government infrastructure projects (Kennedy 1999). Ultimately, it sought to eliminate wasteful competition between corporations, as well as unneeded conflict between labor and capital (Brinkley 1995). Widely regarded as a failure both at the time and subsequently, the NRA suffered from hostility from business as well as the fact that its planned scope exceeded the government's legal powers (Skocpol and Finegold 1982). Despite being courted by President Roosevelt and NRA Director, General Hugh Johnson, Ford was a notable opponent of the NRA, joining in the legal actions undertaken to curtail its activities. According to Sidney Fine (1958) – Ford agreed with many of the policies of the NRA but hated the fact that the government forced these policies on him. Yet it is also important to recognize that Ford did not oppose Hoover's policies in the 1920s, when Hoover was Commerce Secretary (Hawley 1974). Much like the NRA, Hoover sought to control prices and production by forming voluntary trade associations that would stabilize and monitor the market place (Hawley 1978). Ford supported this program because it was volunteered based and one where the worker had a choice. The shift to mandatory controls – even that as a large producer Ford had some control over – was why Ford opposed unions and government actions. These viewpoints were increasing out of vogue in the progressive era and completely out of vogue in the New Deal.

Relationship with Taylorism

What is the relationship between Taylorism and Fordism? To some commentators, there was little difference between the two concepts. For instance, David Halberstam (1979) wrote,

> modern ideas about production, particularly those of Frederick Winslow Taylor, the first authority on scientific industrial management. Taylor had promised to bring an absolute rationality to the industrial process. The idea was to break each function down into much smaller units so that each could be mechanized and speeded up and eventually flow into a straight-line production of little pieces becoming steadily larger.

Peter Drucker (1954) went even further, writing that even if Ford had never even heard of Taylor, he was the greatest disciple of Taylorism. In fact, this viewpoint does have considerable evidence behind it. Firstly, much like Taylorism, Fordism was intentionally concerned with both the rationalization and efficiency of work, suggesting that they had common goals. The purpose of both was to control worker responses and find ways to make the process cheaper. Secondly, the other overlap between the two was recognition of monetary compensation and highly specialized, low-skilled jobs. Thirdly, both viewpoints greatly angered the literati and intellectuals at the time, as it provided a sense of standardization and control of expression. Hughes (1990) noted that Weimar Germany saw Taylor (scientific management) and Ford (assembly line) as joint forces producing something uniquely American and could together unlock the secrets of production. Doray (1988) viewed them as a madness that infected the worker in tandem. In his view, Taylorism alienated the worker; Fordism tied them to machines.

Others, such as Daniel Wren (2009) and Frank Gilbreth, disagree with the above assertion. Wren argues that Fordism and Taylorism are distinct constructs from each other. Although they shared some aspects of scientific management, such as specialization and division of labor, they were different. For example, Wren notes that one of the outstanding features of Taylorism was its outstanding level of cost accounting. This was something that Ford lacked knowledge of. In fact, the cost accounting framework would be adopted by General Motors, who had a connection to Taylorism through its DuPont investors. Secondly, the use of the conveyor belt and assembly line system was an aspect that Taylorism did not feature. Scientific management tended to place emphasis on human labor, and less on machines. In fact, the first automobile company to devote its energies to scientific management was Franklin Motor Company, advised by Carl Barth and George Babcock, but once Fordism had taken root, scientific management's sway over the automobile industry languished. Finally, Frank Gilbreth noted that the job design in Ford was poor. Daniel Nelson (1970) felt that Ford was not a company that utilized scientific management. In fact, some scholars have argued that attacks on scientific management mostly should have been directed more at Ford.

At the time of Toyota's ascent to the top of the automobile industry, Fordism and Taylorism were seen as one entity in industrialization noted Jürgens et al. (1993). They viewed both Fordism and Taylorism as rationalizing business activities to increase efficiency as the primary goal of industrial life. They noted that modern industry combined two separate concepts. From Taylorism, industrial life separated "thinking from doing" reducing work into a series of repetitive tasks, led by managers who make decisions that had little basis in the actual running of the business. Fordism produced standardization as its primary focus, with human behaviors and products produced in a similar fashion. Both reduced work motivation to mere financial rewards, separating both social and intrinsic motivation. Jürgens and coauthors compare the Ford-regulatory model with the new model of Toyotism, which featured different types of motivations, teamwork, and more democratic decision-making.

My viewpoint is similar to Wren's, but for different reasons. Wren is correct in that the behaviors, testing, job design, and managerial accounting between scientific management and Fordism is stark and quite different. Taylor did not propose anything similar to an assembly line. Ford would have used a conveyor belt rather than a first-class man to haul pig iron, believing that it was both cheaper and more efficient. Although there was experimentation and analysis in designing the assembly line, I am not sure Taylor would have had a high opinion of Ford's corporate design. Taylor would have been horrified by Ford's accounting department – where the main goal was to dodge taxes and confuse the government (Halberstam 1979). Yet if we examine the processes, both produced rationalization of work – namely that it was designed to produce efficiently, quickly, and homogenously. Although there were different mechanisms, the goal was similar – rationalization of work.

There were two key differences between Fordism and Taylorism. The first is that Ford recognized that if we could have mass production, we could also have mass consumption (Brinkley 2003a, b). Accordingly, Ford provided higher wages to overcome turnover, but also to provide workers with a financial ability to purchase from the company. Ford also sought ways to provide credit and other services to ensure that his workers had the ability to become productive members of society. His high wages provided a vast expansion to those who wished to buy a car – his workers were his customers. His decision to provide the Five-dollar day was as a way to market the company, suggesting that use of corporate social responsibility of marketing well before the current interest in it. Ford also regarded this movement as a form of business rather than altruism.

The second difference was that Fordism had the idea and the need to provide socialization to workers (Nevins and Hill 1957; Gelderman 1981). Taylor produced the notion that workers should be trained through standardized processes; Ford stressed the other part of training, namely socialization. Ford was the pioneer of the socialization aspect of training. A tremendous amount of training these days considers the role of socialization – which entails work norms, how to interact at work, and legal/ethical responsibilities. In Ford's case, it was the Americanization of workers. Just as Taylor had to contend with, Ford had to deal with a vastly different working population due to the consistent influx of new immigrants, changing the working culture. Therefore, what Ford sought to do was to Americanize them by providing English classes and opportunities to socialize, in order to prepare them for modern industrial life and a work culture that was very different from the peasant work culture. This was part of the reason why Ford took an interest in his workers. It fit a progressive era pattern of managing the social life of the immigrant.

Corporate Governance

Ford hated bankers and the art of finance. He did not understand the value of stockholders and the oversight that came from corporate governance. Halberstam (1979) stated Ford hated that stockholders got wealthy on the company's expense but provided little aid in return. There is much wisdom to this statement, but I would go further: stockholders interfered with Ford's independence in running the company. Simply put, the Ford Motor Company was his as he saw fit to run it, regardless of what others thought. The "others" included his own son, family members, and longtime executives. Ford wanted to use money to expand the company, trying new and various experiments. At one board meeting, Ford told his right-hand man, Harry Bennett, that there was little reason for them to stay; they would simply do what they wished (Nevins and Hill 1962). When the Dodge brothers sued over dividends, Ford fought them tooth and nail (McCraw and Tedlow 1997). During the case, Ford called profits immoral, noting that a company should be run so that profits were spent on the business. He lost the case and created a resolve to free himself from control at the earliest possible moment.

In 1919, Ford gathered the needed funds to make the Ford Motor Company a family-owned affair (McCraw and Tedlow 1997). This Quixotic adventure was undertaken at the time when the Ford Motor Company should have been investing in a replacement for the Model T and/or developing new car models to diversify his business. Rather than plowing his profits back into the company, Ford used his capital to purchase the investors' stock which, other than the Dodge brothers, had mostly been on his side. Unfortunately, Ford had selected an unpropitious time for his buy-back. A post-war depression had started. Ford was short of the needed funds. Accordingly, he put the financial squeeze on his dealers, forcing them to pay a higher rate to the company (Lacey 1986). This was at the time when Sloan had taken over General Motors and was moving against him. Ford also began losing his senior executives. The loss of one in particular, William Knudsen, was particularly detrimental to the company. Knudsen was a production genius who had successfully guided the company's production during the First World War. Yet Ford believed that Knudsen was getting too important, exercising too much authority, and becoming too close to Ford's talented son, Edsel, the latter being seen by Ford as a combination of heir and usurper. Knudsen, tired of being humiliated, left the company, taking a pay cut in the process, and joined General Motors. Many of other outstanding Ford executives also left the company (McCraw and Tedlow 1997).

The lack of proper oversight was dangerous for the company, since there were few checks and balances on Ford's behavior. More troubling was that this occurred during a time when Ford was starting to lose mental control, becoming ever more paranoid, cynical, and narcissistic (Lacey 1986). Had shareholders remained in place, they could have made sure that the company remained profitable. Perhaps, they would have forced Ford to make necessary changes, such as abandoning the Model T, or adding another production line. When Edsel recommended developing credit lines to help people purchase Ford cars, shareholders may have forced Ford to accept it.

Shareholders also would have checked the profitability of the company. When Arjay Miller joined the company, he attempted to find out what the profits were per month. Instead, he found an elaborate system, dedicated to calculating the amount of paper used per month. When Miller asked for the figures, the accounting department said they are what we make them – to which Miller realized he was in never-never land. The only oversight at Ford came from Edsel, who was abused by his father, and Harry Bennett, Ford's chief goon. Only after Edsel had died, in part due to the stress his father put him through, did Ford's wife (and Edsel's mother) begin wresting the company from the old man (Halberstam 1979).

Management Talent

Halberstam (1979) noted that Ford did not have friends and saw them as a limitation to be avoided. Yet such a statement cannot be squared with the fact that Ford often kept people in power because he found them useful or, more likely, they appealed to his prejudices (Brinkley 2003a, b). Ford had something worse than friends. He had lackeys and flunkies. A comparison with Alfred Sloan would allow us to see the difference. Sloan did not have friendships with his managers; they were simply employees who were hired to do a job, based on their merit (Farber 2002). Sloan sought relationships outside the firm. Ford sought talented workers. Indeed, in the early days of the company, Ford had a wide range of talented executives and engineers who were attracted to the company because of its progressive nature. Yet as the company became successful, Ford's narcissism was activated. He sought executives who would tell him what he wanted to hear. He also hated it when his managers used their autonomy to make changes. When Ford visited Europe in 1912, his executives made modifications to the Model T, turning it into a smoother riding vehicle, hoping to surprise him with this new development. Ford was not amused and stopped the changes (Brinkley 2003a, b). Ford drove away much of his company's talent, as many grew tired of dealing with this unpredictable man. One of Ford's long-term executives, Bennett, was a thug, who stole from the company, bullied workers, and played on Ford's worst fears. Again, there was little managerial oversight or checks on Ford's increasing irrational behavior.

Limitations

I find Ford's inclusion in a text on management thought to be interesting. Although Ford has a high esteem among business and management historians, he did not leave a management philosophy, and in some ways, disdained a management approach. Unlike Sloan's careful and well-planned managerial charts – where duties, authorities, and responsibilities were clear – Ford's had little organization and the responsibility was always with him (Drucker 1954). Ford actually would appoint two different people to a similar position, provide them with same duties, and sit back while the two managers struggled over authority. Ford also punished executives who demonstrated too much authority and independence. He even bullied his only legitimate son, Edsel, when he showed a streak of independence. Peter Drucker (1954) noted that the principle issue that manager's face is not managing workers, but managing managers – namely handling the relationships with managers above and below. The major reason for this is that each manager plays a role in the organization of the company and without coordination between these various managers, the organization cannot produce.

Drucker went further – he argued that Ford tried to manage without managers. Drucker concedes that there could be other reasons, such as senility. I would argue that Ford's narcissism and mental decline contributed to this decision. Ford simply did not want to lose control of the organization, and if the price was disharmony within the organization, then that was the price he was willing to pay. Ford did not just have his police force spy on his workers. He also had them spy on his own executives. Those executives that showed any independence were forced out. One of the reasons why, according to Drucker, Harry Bennett was able to emerge as a supreme power within the company was that he was Ford's creature. Bennett lacked the standing and experience to be an executive on his own. So he could not betray Ford. But once Ford was out of power, so was Bennett.

Ford wanted lackeys, executors of his will, but not managers, investors, or government oversight (Brinkley 2003a, b). He ran his company with complete authority. This accomplishment is unlike any in the modern world, where, even in a market economy, there is oversight of managerial activities. The one department where management was allowed to function within Ford was the sales department. Ford was also willing to pay a high amount of money for engineers, but not for managers. Unlike engineers, they were too much of a threat to his power. Ford's preference for engineers over managers reflected his focus on technical and operation issues rather than managerial issues such as organization, coordination, and strategy. Although he selected a cost-leadership strategy, Ford ignored that his company could use other approaches and offer other products. Drucker (1954) noted that Ford recognized that he could provide colors other than black – but to do so, would threaten the uniformity of his product. But Drucker went further – Ford, despite his adoption of mass production, continued to maintain that uniformity of the product was needed for mass production, an old-fashioned view. What Ford failed to realize – mostly because he did not have an adequate training in management – was that what matters was standardization of parts. Drucker wrote "it (mass production) does not rest on uniform products. It rests on uniform parts which can be massed-assembled into a large variety of different products."

Sloan understood this idea. Yet it was a basic management idea. What Sloan further recognized was that one could go further than just achieving symmetry with different parts, rather than different products. Sloan recognized that vertical integration could reduce transaction costs between various divisions. Ford recognized something similar in his vast Rouge River plant, a vast edifice constructed between 1917 and 1928. At this integrated industrial complex, steel was made in house, allowing for a car to be produced 21 days after the raw material had arrived. But his organization and accounting procedures were too crude to really take advantage of this. Sloan recognized that a company could offer multiple products in the same field. For example, as people aged, they could move from say a Buick all the way up to a Cadillac (McCraw and Tedlow 1997).

Sloan would emerge as the greatest challenge that Ford would face, and one that he was not equal to. Sloan represented in some ways a shift in the American experience. Educated, connected, a technocrat, Sloan represented the shift to a formal system of management where the purpose of management was to coordinate among various divisions within the corporation. In addition, Sloan did not own the business – he was an employee who had the backing of the DuPont family. Sloan was an administrative genius who would provide the organization and coordination that General Motors had lacked under its previous head, Billy Durant (Farber 2002). Durant was a corporate buccaneer, a promoter, an acquirer of corporations, and general visionary. Durant's vision was to build a corporation that sold a wide variety of cars to different customers. Unfortunately, for General Motors, Durant was not an administrator. When the DuPonts took over the company, there were no standard accounting procedures, no way of telling whether a division lost or gained money. The corporation lacked direction.

Concerned with their investment, the DuPonts decided to oust Durant from the company. They sought to provide better organization to the company. They selected Sloan in part because of his previous success at the Hyatt Roller Bearing company and his background in engineering which, at that point, was held in high esteem and considered to be a font of knowledge on how to manage corporations. The DuPonts were also interested in the corporation because they believed that while Ford controlled the market, his share could be reduced.

Sloan was almost the exact opposite of Ford. Whereas Ford wanted recognition from the press and courted them (Farber 2002), Sloan was reserved, preferring to operate in the shadows. Ford sought to dominate his firm – pitting managers against each other, so that decisions remained solely in his domain. Sloan hired the best possible managers, including several former Ford executives, including William Knudsen, inventor Charles Kettering, financial expert Donaldson Brown, and Charles E. Wilson. Neither Ford nor Sloan really had friends – Ford's best friend was Thomas Edison, Sloan's was Walter Chrysler. But whereas Sloan kept his executives at a distance, Ford sought flunkies, such as Harry Bennett. There were also differences in how they handled dealers. Ford could control his flunkies, but the flunkies could lie and manipulate Ford. Ford bullied his dealers, often forcing them to pay for cars where there was no major market. By contrast, Sloan kept this dealer's confidence, using them as a resource and fountain of information.

Accordingly, the story of Sloan and Ford is one of a competition, whereby a manager is pitted against an entrepreneur. Sloan was not an entrepreneur. He did not start General Motors. Nor, according to Peter Drucker (1946), did he seek innovation. Sloan was a genius at creating a command and control structure that allowed for the use of divisions to produce different products for different customers. His concern was on the process, not the product. If one understood that process, it could be manipulated, changed, and diversified to fit different customers' needs and desires. Sloan was bound by his shareholders, and they stood as a check on his behavior. Ford was an entrepreneur who bucked tradition and conventional wisdom in that he understood that average people wanted items deemed luxurious and found a way to produce them. Ford did not understand that a corporation needed to do many things. He simply did not understand the command and control nature of the cooperation.

Sloan also recognized that no one could compete against Ford's prices (McCraw and Tedlow 1997). Ford's value chain was too efficient to be defeated. Where Ford could be, and was, defeated was if a competitor could offer a different product, one that had more variety. Through such a strategy, General Motors could gain market share relative to Ford. Sloan understood that as a market matures it goes from a period in which only a few people can afford to purchase the product to one where mass consumption is possible. The next phase would be when a dominant company emerges, one that competes primarily on price, efficiency, and branded products. Yet this phase is transitory. Firms often learn how to reduce price. Ford's system could not provide a long-term competitive advantage because it could be copied by competitors. In fact, several of his production executives left the firm, taking their knowledge with them. The next phase focuses on brand differentiation, brand loyalty, and diverse products. Ford failed this test.

Another problem with Ford, and why the lack of oversight caused so many problems, was that Ford suffered from a narcissistic personality. Although it is admittedly difficult to assess historical figures psychologically, the process of psychobiography has gained widespread acceptance in the historical profession – management history being no exception. For example, several scholars have provided added insight on both Taylor and Robert Owen over the years. A narcissistic personality is a personality characteristic where the person has an exalted sense of themselves, they believe that they have more worth and value than others, they often have a difficult time accepting criticism, and are typically prone to manipulation through over-laudatory compliments (Paulhus and Williams 2002). Narcissists are also prone to be angry when they are opposed. Narcissists are also predisposed to see themselves as saviors. Narcissists are often prone to paranoia and often greatly overstate their level of expertise. In addition, narcissism could be activated as a trait, the more success a person has the more that narcissistic tendencies in his/her personality are likely to become pronounced.

Ford demonstrated many aspects of narcissism. A man that could boast that he created the modern age indicated a tremendous amount of self-worth. He hated sharing recognition with others and surrendering his independence. When the workers rejected his largesse, he responded, through his agents, with extreme violence. The Model T was sacrosanct to Ford. No one could make changes to it – as if the car had been created by God. He disliked it when managers showed initiative. Ford wanted his executives to be executors of his will. Ford seemed to prefer to use the word "I" often when describing his behaviors. He also left several books on his beliefs and a biography. He purchased his boyhood home and preserved it as a museum. Finally, he was paranoid – believing that bankers and Jews were out to ruin the world. Although I proposed that Ford had developed a Jacksonian outlook, political beliefs are influenced by personality. A belief that would encourage impendence would be attractive to someone who was narcissistic.

This explains, in part, the most bizarre episode in a life of bizarre episodes – namely Ford's hatred of Jews. At the time Sloan was building a juggernaut to assault

Ford, Ford seemed more concerned with imaginary Jewish conspiracies. Ford's attack on Jews was the most weird, disgusting, worthless, and venal endeavor that he ever took on. What is remarkable was that Ford had worked with Jews before, especially during his quixotic campaign to end the First World War (Kraft 1978). Although anti-Semitism was a common element in the United States at the time, made worse by the war, Ford's championship of the cause provided the movement with a real dose of legitimacy. After all, Ford was considered the equal of Moses at the time. Ford's work was largely published in the *Dearborn Independent*, a paper owned and financed by Ford himself.

Ford's message found an audience (Lee 1980). That the paper did not make money was of little concern. Ford was more interested in being the voice for rural America than he was in turning a profit. The damage done by Ford was enormous. Simply put, he not only provided support to one of the most evil movements of the twentieth century, his message also provided intellectual support of the Nazi regime. This is not to suggest that Ford caused the Holocaust. But he did provide, according to various Nazis, an intellectual justification. Late in his life, when Ford saw the first pictures of the Nazi Death Camps and beheld the final fruits of anti-Semitism, his guilt and loathing for his actions brought on his final stroke, rendering him for his last few years more paranoid than he had been.

Ford's anti-Semitic comments are arguably the most baffling and detrimental of his actions in terms of the effect on the reputational status of not only Ford but his company. Ford began to focus on anti-Semitism soon after the First World War, writing frequently about Jewish conspiracies in his personal newspaper, the *Dearborn Independent*. The collection of his works was evidently published under the title the *International Jew*, perhaps, with the exception of Mein Kampf, the most anti-Semitic publication of the twentieth century. Apparently, Ford found the Tsarist forgery, the *Protocols of the Elders of Zion*, to be accurate, as he legitimately believed that there was a Jewish conspiracy to take over the world. Mostly, Ford blamed the war on international bankers (a code for Jews) and sought to limit their influence in society (Baldwin 2001).

Why would a man as brilliant as Ford believe and write such nonsense? Conspiracy theories are often believed by the uneducated. Despite Ford's genius and brilliance as an engineer, he was widely ignorant of basic facts of history, politics, and social science (Lacey 1986). For example, Ford did not even know how the United States came into being. Ford's greatest admirers, those who pushed him into a career in politics, felt that he could not serve as government executive, since he was ignorant about many things – but he could make an effective senator. In addition, the attacks on Ford, often personal, slowly turned him into a cynical person. His defeat in the 1918 Michigan Senatorial contest, through the use of illegal money, also played a role in his increasingly erratic behavior. After the war, Ford was surrounded by men of poor character. His secretary, Ernest Liebold, was not only anti-Semitic but encouraged Ford to publish his ideas. Finally, Ford had personality characteristics of someone who would believe in conspiracies, including paranoia, narcissism, and Machiavellianism. While Ford was spewing nonsense, Alfred Sloan was creating strategies to overtake Ford.

Scholars have often argued that Ford lost his effectiveness as an executive. The Roosevelt administration was so concerned with the poor management of Ford that they discussed several options to deal with the problem, including nationalization or providing funds to Studebaker to purchase the company. However, Ford retained the ability to produce machines quickly and cheaply. What Ford lost was the tempo and rhythm of society. The world of 1943 was a much different one from when Ford had been born in 1863. But how to mass produce remained, more or less, the same. During the Second World War, Ford built an impressive production facility at Willow Run (nicknamed the Run). The Run was so impressive and such as tribute to American know-how, that Ford's head Charles Sorenson boasted that if the Japanese and Germans saw it, they would commit suicide. The Run produced 8500 B-24 bombers, the symbol of American military and economic might. By 1944, a B-24 bomber was produced every 63 min. What Henry Kaiser was to shipbuilding, Ford was to airplanes (Kennedy 1999).

Ford's shift to the mass production of weapons provided the executives with many hurdles. Ford, for instance, took to hiring midgets, to inspect the inside of the plane. Yet there were other problems for workers, such as housing, healthcare, working conditions, and other social issues. Ford and his executives claimed that what workers did off the job was none of their concern. This statement seemed to endear little positive feelings from workers and politicians, who remembered some of the worst aspects of the sociology division. Compounding problems was the death of Ford's son, Edsel, one of the two voices of reason at the company (the other being Charles Sorenson). The amazing production at Willow Creek could not have been possible without the aid of former Ford and General Motors executive and head of war production, William Knudsen (O'Neill 1993). The bulk of production praise went to executives such as Henry Kaiser, who were more in tune with government action, union membership, and worker welfare. Ford's attitude cost him his only legitimate son, Edsel, whose long-running battles with his father and his cronies finally took his life. Ford died 5 years later, after turning over the company to his grandson, Henry Ford II. Henry Ford II led the turn-around that saved the company, moving Ford from its position as the United States' fifth largest automobile company to a permanent second behind General Motors.

Conclusion

Ford left a complex legacy befitting his complex character. He was, as David Halberstam claims, a genius mechanic, a semi-genius in business, but a crackpot offering semi-literate responses on issues. The world had become more complex and more integrated than ever during Ford's life. The establishment of a cult of celebrity, based on the international media – and with Ford being a celebrity – meant that his opinions would be spread everywhere, much to the determinant of his reputation. Ford's narcissism did not help his ability to overcome his ignorance. Ford's attitude toward power suggests a man who would no longer be dictated to, regardless of the foolishness of his ideas, or the power of his opponents. Ford would be free – even at the expense of his reputation and wallet. The last few years at Ford under his rule could be described as a country under a crazy ruler – with the populace hoping that the ruler dies, hoping the son will be king.

Ford's desire to be independent, which resulted from his Jacksonian beliefs, was another major hindrance to his functioning in the modern world. From 1880 until around 1920, the United States witnessed a breaking down of barriers, amid an integration of communities that helped destroy the old America that had stressed frugality, independence, and moralism. According to Robert Wiebe (1967: 132),

> . . . they had enough insight into their lives to recognize the old ways and old values would no longer suffice. Often confused, they were still the ones with the determination to fight these confusions and mark a new route into the modern world.

This new class wanted rationalization, bureaucracy, and administration – concepts that would have been foreign just several years ago. The development of an educated middle class and the use of roads and railroad meant the end of the old order that Ford had stood for. Bold decision-making and entrepreneurship were downplayed in this new order. The bureaucracy would intervene in the relationship between workers and managers; now law, rather than promise, was the way of the land. Part of the irony was that Fordism was one of the concepts that brought in this new order. Ford's successes had made his old world impossible.

Yet despite this, his bigotry and his heavy handedness, Ford remained a popular person with the average American, especially the rural community. Even if Ford was no longer viewed as Moses, he still remained a respectful figure to the average worker. The reason was simple; Ford was an American Prometheus – instead of fire, Ford stole mobility from the wealthy. Intellectuals and the wealthy hated him for that. Yet the average American remained grateful to Ford because he allowed for the average person to be able to commute to and from work, go and visit relatives, and go away for a day trip. From this perspective, Ford was the greatest friend the worker ever had. Unfortunately, Ford refused to see neither the limits of his vision nor how his success ended the old world. He was truly bound like Prometheus, but instead of iron chains, the chains were delusion, ignorance, and paranoia. But the people loved him.

Cross-References

► Taylor Made Management
► The Age of Strategy: From Drucker and Design to Planning and Porter

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23 Spontaneity Is the Spice of Management: Elton Mayo's Hunt for Cooperation

Jeffrey Muldoon

Contents

Abstract

This chapter covers the career of Elton Mayo and the impact of the Hawthorne studies upon the field of management. The first section of the chapter discusses Mayo's contribution to the management literature. This section argues that Mayo's best elements – his empathy and charisma – have not survived, but he leads a great legacy, as a scholar, for his influence in the field. The second section of the chapter covers the role of the Great Depression and World War II on Mayo's work. The third section compares Mayo's work to his major competitors – Whiting Williams and Henry S. Dennison. The final section compares Taylor to Mayo, arguing that they were complements rather than competitors.

Keywords

Mayo · Hawthorne and Human Relations

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The Hawthorne studies, a series of experiments carried out at Western Electric's large assembly and manufacturing plant in Illinois between 1925 and 1932, have an iconic status in management literature. Yet our understanding of what happened remains shrouded in controversy. Although the studies extended over many years, only one part is typically remembered – a study of female assemblers taken off the shop floor and exposed to a variety of experiences that supposedly demonstrated the importance of intrinsic, socially-based rewards in work performance. Revolutionary in its conclusions, which shifted attention away from monetary rewards, the work of Elton Mayo and the Hawthorne studies loom large over management research.

Perhaps no study has created as much controversy and praise as Hawthorne. There is a long list of books and articles published that have attempted to unearth the mysteries of Hawthorne. Only Frederick Winslow Taylor has attracted as much attention. What is more notable is that there is little consensus among scholars regarding the study. I (Muldoon 2012) view the studies as a positive step in management thought. While Kyle Bruce (2006) views them as a step backward, H. M. Parsons (1974) and Alex Carey (1967) view the studies as worthless and wasteful. George Homans (1984) and Talcott Parsons (1940) believed that they were important in the development of theory. Some scholars have praised the studies' originality; other scholars have attacked its lack of originality. Management, psychology, and sociology each have a different perspective on the studies. The original criticisms of Mayo's work were overwhelmingly sociological in nature, suggesting that different disciplines have different standards and values. Which was also happened, even with individual researchers, perspectives change over time. For example, in 1947, Daniel Bell (Bell 1947) believed that the studies were a step toward fascism with a docile worker; in 1973 (Bell 1973) he argued that Mayo had a prime insight that the majority of socializing occurs at work.

When Hawthorne is attacked, Mayo faces a greater brunt of the criticism. Henry A. Landsberger (1958) defended the Hawthorne studies by suggesting that Mayo's work was illegitimate compared with the scientific rigor of *Management and the Worker*. This statement is like saying *Hamlet* is a good play except for the lead character. Mayo's arguments and influences clearly affect the works associated with the study. Other scholars have attacked the uncredentialed and unlettered Mayo. Still more scholars, including Kyle Bruce, Chris Nyland (2011), and Michael Rose (1975), have argued that the Hawthorne studies were a form of fascism. Other scholars, such as Morris Viteles, Peter Drucker, and the left-wing political activist Stuart Chase, have praised Mayo's ideas as a defense against fascism. Some of his critics, such as Reinhard Bendix, (1956) have noted Mayo's contributions to management ideology. His defenders, such as Homans (1984), Chase (1946), Drucker (1946), have noted Mayo's shortcomings as both as scholar and a man.

Mayo's reputation has been comparatively low since his death. In life, Mayo was praised as a social scientist in league with Thorstein Veblen and John Dewey (Smith 1998). Now, Mayo is, by a growing number, seen to be a mountebank who took management down an unneeded path. In 1977, Mayo was ranked fourth among all management thinkers (Wren and Hay 1977). In 2010, he was ranked 11th, a precipitous slide (Heames and Breland 2010). Despite the Hawthorne studies connection to launching organizational behavior as a distinct field of study, the studies are also ranked comparatively low. Even with the, now proven, importance of attitudes and relationships, scholars still attack Mayo's work and the findings of the study. Little research has traced the actual influence of the studies to understand its great influence on the fields of sociology, psychology, and management. In fact, the old suggestion that human relations replaced an undemocratic and inhumane scientific management has come under attack.

There is a tremendous amount of research attempting to unearth what happened at Hawthorne – such an approach is chimerical. Scholars often bring their own baggage when researching Hawthorne (present author included). Edwin Locke and Gary Latham (1984) argue that the increase in production is due to goal-setting. Peach and Wren (1991) argue that monetary incentives matter the most. H. M. Parsons (1974) argues for the role of behavioral management. Some scholars have researched the data, others the context of the plant, still others have written about the various figures in the study, some scholars have conducted oral histories. The stream of these studies has shed light on the fact that we do not know what happened. Wren and Bedeian (2018) conclude that it is impossible to know what happened at Hawthorne. The net result of these varying views is that scholars have devoted too much attention to what happened at the plant. A tremendous amount of hand wringing would have been avoided if scholars paid closer attention to the arguments by Homans (1949a), Roethlisberger (1977), Sonnenfeld (1985), and even Mayo (1945), who stated that the studies proved nothing. Their importance was to develop new approaches in examining management thought.

Scholars have begun to research the context of the studies but ignore the wider academic, social, and political context of which the studies occur. I do not claim any final statement about Hawthorne. I merely write to explain several important issues related to the Hawthorne studies. Firstly, I make a point that a combination of the Great Depression, World War II, and its aftermath played a key role in making the Hawthorne experiments the dominate study in Human Relations. Secondly, I seek to explain why the studies dominated literature, in comparison to other contenders, such as Whiting Williams and Henry Dennison. Thirdly, I would like to note the complex relationship between Taylorism and Mayoism. My contention here was less that Mayoism contradicted Taylorism, but instead addressed certain limitations that Scientific Management suffered from, as well as building on its developments. Hopefully, each objective will shed light on what the Hawthorne studies meant for management and their continuing importance to the field.

The combination of these points is the following: Mayo stressed noneconomic incentives at a time when both workers and managers believed that the Great Depression was now a permanent feature of industrial life. The second point was that the Great Depression ended welfare capitalism, creating a new approach in industrial relationships. The third point is that while Mayo was successful in spreading the word to business leaders in the 1930s, the academic spread of human relations was limited by the fact that there were few academic jobs and journals to maintain the research. In addition, competing frameworks had some of the same baggage as did the Hawthorne studies, but lacked the academic support led by Mayo's associates. Finally, we make an important note about the relationship between Mayoism and Taylorism noting the complementary relationship between both ideas.

Mayo's "Findings"

Elton Mayo left a complex legacy (Gillespie 1991; Trahair 1984). For the historian, he left some slim, underdeveloped books. He did not leave a theory. Nor did he research or conceive the Hawthorne studies. The Hawthorne studies did not prove anything. Both William Foote Whyte (1956) and George Homans (1949a) argued that Mayo's findings were only the genesis of research. Others had a similar view, like Kornhauser (1934), who argued that Mayo's (1933) book provides more questions than answers. Park (1934) and Powell (1957) suggest that the work was more exploratory and the purpose of the work was to develop new approaches. Rogers (1946) argues that the work's major focus on groups was a contribution, but was more developmental than a final statement. The best of Elton Mayo was his charm, wit, and empathy – he had, what *Fortune* (1956) called, a high voltage personality. Time eroded these strengths – few, if any, people alive today had any major dealings with Mayo. What is left is his turgid prose in his short, underdeveloped books and the recorded memories of his disciples. Figures, such as Taylor (scientific management), Fayol (the fourteen principles of management), Chester Barnard (zone of indifference), and Herbert Simon (bounded rationality), each left a defined concept. What did Mayo leave? It is not as clear.

Compounding the problem was that Mayo distorted and even lied about his background, failing to correct people who believed he had a medical degree. Mayo did not address his critics, was imprecise in writing, failed to acknowledge the work of others, and appeared conservative in his politics. Scholars, including Ellen O'Connor (1999a, b), Bruce and Nyland (2011), and Richard Gillespie (1991) have all argued that the Hawthorne studies were less science and more advocacy. Scholars have challenged Mayo's arguments over his opinions on unions, the originality of his ideas, and the roles of groups, attitudes, and social motivations in the workplace (Muldoon 2017). His most persistent and ablest critic, Bruce, pointed out that Mayo was more concerned with providing businessmen with the ammunition to fight off unions and coddling favors with the Rockefellers than true science.

Mayo's accomplishment was as a codifier as well as an advocate. Mostly, what Mayo did was to focus on what scholars knew (that social relationships motivate) and to direct that knowledge in discovering how, where, and when social relationships matter. He also advocated for the need for industrial research to understand cooperation. With the chaos of the postwar years reigning, people began to hear his ideas and sought more complete understandings of work. He did not launch a theory, but launched a school of scholars who would refine his work. Whyte notes one of the first textbooks in industrial relations was Burleigh Gardner and Moore's (1945) book *Human Relations in History*, where the primary focus was on the Hawthorne studies. Stone (1952), Bell (1947), Moore (1947), Whyte (1956), Homans (1949a), Chase

(1946), Powell (1957), Drucker (1946), Parsons (1940), Hart (1943), Parsons and Barber (1948), and others have suggested the primary propulsion to study social relationships within the organization came from Mayo's monomaniac, obsessive appeals to do so. These men were contemporaries, students, critics, and competitors of Mayo, but were experts in their own fields at the time. Some, such as Wilbert Moore and Bell, decried Mayo's influence, but they understood that it was nevertheless vast.

Therefore, Mayo's contribution was to place focus squarely on researching worker relationships. Most of the research that commenced in analyzing worker relationships had roots in Mayo, either copying his methods or trying to improve them. Some scholars criticized the political implications, but scholars on the left sought to use some of the Mayo's methods to recreate the Hawthorne studies under a different context. Mayo also demonstrated that pay was only one element in terms of work motivation. Perhaps, he went too far to suggest that pay was not that important, but he suggested that social and intrinsic elements could be important as well. Mayo created a general structure where Whyte and other scholars would discover that workers do not necessarily care about pay in absolute terms; they care deeply about it in relative terms (Muldoon 2012). Subsequent work on both equity theory and justice would demonstrate this issue more clearly to the point where Cropanzano and Mitchell (2005) have suggested that justice is where social and economics influences dovetail. Scholars also discovered that piece-rate systems could lead to other problems within the work group as collaboration diminishes. Furthermore, in knowledge-based jobs, the primary emphasis on collaboration and overly strenuous competition can diminish information exchange. In fact, different types of pay systems can cause major problems within plants.

C.W. M. Hart (1943, 1949) pointed out that one of the major implications of the study was that people are not consistent in their thoughts about work. Hart went further, arguing that the combination of social sciences that Hawthorne represented could push towards more practical and interesting research. The studies of Hawthorne indicate that the total situation at work – mind, body, social system, talents, motivations, and desires – plays a key role in performance. Today we would suggest that person-job and person-organization fit are extremely important. The Hawthorne studies were key indicators of these. One can also see elements of situation – personality interactions within the workers. Namely, situations can influence behaviors or tap into negative feelings. Mayo did not use personality theory, but instead used the work of Janet and Freud to illustrate the issues of frustration and alienation in modern work life.

Mayo is a founding father of human resource development. Much like Robert Owen, Mayo was concerned with the worker's total situation, viewing them as more of a total person, and less like raw material. Both men sought managerial interventions to make workers better: Owen through education and Mayo through socialization. Owen and Mayo saw better management had a social impact. As Drucker (1946) noted, one of the principle problems with traditional management was that it viewed people as raw materials, while Mayo saw them as people. Homans could similarly claim that industrial sociology owed its seminal understandings of human-work interaction to

Mayo, whose work changed the nature of management research by shifting the emphasis to work groups and away from technology or task. Homans (1949a, b) points out that Mayo viewed the Hawthorne studies as a potential first step towards laying the basis of organizational behavior.

Mayo's principle idea was that trust existed in primitive society due to rituals, ceremonies, and other social arrangements and provided the necessary underpinnings for cooperation in work-based activities. The shift to modern society destroyed these arrangements. Yet despite the shift, Mayo understood that behavior was not wholly rational, but often driven by sentiments. Accordingly, the way to understand people was to address "the whole situation," meaning that we should examine both intrinsic and extrinsic elements at work. Roethlisberger noted that in every group, workers form their own rituals and routines that ensure cooperation within the group.

Drucker noted that it was Elton Mayo and his group that made the primary contribution to management thought as he contributed the principles and methods of industrial research. Mayo provided a rudimentary conceptual scheme, as well as vocabulary, with his discussions of sentiments, understanding of nonlogical thinking, and the role of social factors. Later work would, sometimes by his students and protégés, refine and expand Mayo's general scheme. The most notable contribution was a rebuffing of economic determinism, which had been the major intellectual explanation for behaviors since the time of Marx. By deemphasizing economic motivations and stressing other human elements, such as social relationships, Mayo made a notable contribution. Such an approach would have been a popular undertaking in both political science and history at the time. The inability of the Great Depression to crush American capitalism indicated that economic factors alone could not predict behavior (Brinton 1948; Drucker 1946).

The Vital Center Does Not Hold

"The world over, we are greatly in need of an administrative elite who can assess and handle the concrete difficulties of human collaboration," Elton Mayo wrote in 1933. In 1945, he argued that society had failed to develop means of collaboration. Based on the destruction from the wars, Mayo had a pessimistic view of from future of humanity. His critics, such as Daniel Bell and others, also looked to the future with a fearful eye. The argument laid forth in this section is that Elton Mayo worked in a period of social and political upheaval when people sought means to promote cooperation; the failure of other management and political solutions provided an opening for human relations. Mayo grimly noted that churches, social groups, and families no longer held sway. He argued for the development and training of a new elite to handle society's issues and others agreed. The changes to industrial life brought on by the Great Depression and World War II aided Mayo in selling his view (Brinkley 1998). This process is discussed in this chapter.

The Great Depression

The Great Depression was the major economic event of the twentieth century (Kennedy 1999). Its impact on management has not received major study. Likewise, scholars have provided scant commentary of the importance of World War II on management thought. This is not to say that scholars have not addressed either issue, but have not adequately provided enough of a context for both events. In other fields, such as psychology and sociology, there have been studies to document the role the war played in shaping those fields. Likewise, we have documentation of how the war dramatically changed and shaped modern liberalism. Some scholars, such as Albert G. Mills (Foster et al. 2014; Williams and Mills 2017) and others, have begun to fill in the gap. For the purposes of this chapter, to understand the importance of both events would reveal the intellectual importance of the Hawthorne studies.

The Great Depression is the most researched economic event in history. Despite various attempts by the Roosevelt administration, it seemed that the economic conditions were not going to improve. Comments from academics, politicians, and common people support this point. Lizabeth Cohen (1990) wrote:

> During the 1930s American industrial workers sought to overcome the miseries and frustrations that long had plagued their lives neither through anticapitalist and extra-governmental revolutionary uprisings nor through perpetuation of the status quo of welfare capitalism but rather through their growing investment in two institutions they felt would make capitalism more moral and fair – an activist welfare state concerned with equalizing wealth and privilege and a national union movement of factory workers committed to keeping a check on self-interested employers. (pp. 365)

She does not suggest that workers believed that a growth period could occur, therefore increasing the financial pie. They wanted capitalism to be fairer in distributing the benefits, a very different perspective than Taylorism, which assumed a growing bounty (Cohen 1990; Kennedy 1999; Leuchtenburg 1995; Hamby 2004). Amity Shales (2007) gets this point right; the American people believed that the economy was permanently broken. Mostly Americans took the Great Depression as one would a major natural disaster – it simply happened.

If this were true, it would explain the crucial point regarding the Hawthorne studies – namely, if wages could no longer be paid, if economic incentives were limited, how do we motive workers? Taylorism assumed a consistently growing economy. In fact, its defenders, then and now, have pointed out the explicit purpose of creating plenty. However, it appeared that the era of the growing economy had ended. If so, what other elements could blend society together? The common response was government intervention. In fact, many intellectuals looked toward fascist Italy or Soviet Russia as a potential guide. Others looked toward the government to create stability. The initial New Deal response was to eliminate competition between labor and capital through the National Recovery Act, which set wages, production, and working conditions. This model was based on the War Industries Board from World War I (Kennedy 1999).

John Hassard (2012) has suggested that the Hawthorne studies were unneeded, citing the presence of welfare-capitalism at the Hawthorne plant. Hassard argued:

> The Hawthorne plant, which officially opened in 1907, soon developed a reputation within American industry as a champion of 'welfare capitalism' or the practice of businesses providing welfare-like services to employees. Under welfare capitalism, companies would typically offer workers higher pay and superior non-monetary compensation (such as health care, housing, and pensions, plus possibly social clubs, sports facilities, and in-house training) than available from other firms in the industry.

Richard Gillespie (1991) has agreed, arguing that the Hawthorne track team, formed in 1927, was the very flower of welfare capitalism, predating Mayo's work. The purpose of welfare capitalism, as Lizbeth Cohen (pg. 161) has proposed, was that "the enlightened corporation, not the labor union or the state, would spearhead the creation of a more benign industrial society." However, Cohen also noted, welfare capitalism died in the Great Depression, since companies (even a monopoly like the phone company) did not have the funds for it anymore.

Based on these two issues, we could draw a number of important conclusions. Mayo would have liked some aspects of welfare capitalism; it caused interaction between workers and management. People work to consumption is the old saw. However, what could make workers work, when incentives do not exist and consumption is impossible? Welfare capitalism all but died by 1933 when Mayo was arguing for attempts to discover spontaneity at work, and was dead in 1945, when he argued for more efforts to understand cooperation.

Rather than seeking government involvement, Mayo sought another benefit to this approach – it would provide laborers with a greater sense of connection to society, which would eliminate radical tendencies. Mayo's work frequently cited and sought inspiration from the work of anthropologists Radcliffe-Brown and Malinowski. In fact, when he tutored his great student George Homans (1984), most of his classes were interested in anthropological work on primitive societies, which Mayo believed had the clues to offer guidance in how to promote a better society. Mayo did not come up with a solution, noting in 1945 that modern sociology and psychology failed to provide a response. He merely noted that the Hawthorne research could lead to an explanation. His suggestion was that the use of rituals could be a solution, which received some confirmation with Roy's Banana Time (Roy 1959) article that indicated that "times and themes" can create a sense of unity. Mayo, during the 1930s, tried to sell his ideas to a wide array of business leaders. He did receive funding – but mostly his ideas were too under developed to be really applied.

Mayo's suggestions found intellectual conformation. Crane Brinton (1948) argued that what Mayo and his colleagues had done was to demonstrate that when economic conditions are clearly measurable, people still want to feel the sense of sharing, satisfaction of the ego, and emotional satisfaction. Brinton also notes, when referring to industrializing England, that economic values do not necessarily correspond to upheaval. Kornhauser (1934) and Elliott (1934) viewed Mayo's work as an attempt to develop answers to the widespread social disorganization, presumably caused by the war. Parsons (1940) motivation of economic activities argued that the institutionalization of self-interest had been one of the distinguishing characteristics of modern life. Yet, modern management techniques were needed. Parks praised the interdisciplinary work of the studies as a means of addressing various contemporary social issues.

The Good War

Mills and coauthors have demonstrated that the Hawthorne studies did not receive notice in the textbooks until after World War II. My own work (Muldoon 2012, 2017) has found that many of the articles, especially criticisms, did not occur until after 1946, with Bell's article in *Commentary* serving as a jumping point for criticism. The largest explanation for this occurrence was that the economic hardship of the depression limited the spread of the Hawthorne studies' message (Blum 1976. O'Neill 1993; Kennedy 1999). Sociology, psychology, and economics each faced hardships. There were few journals launched, few jobs, and fewer books. World War II also limited the degree to which books could be published owing to restrictions on the usage of paper. Therefore, it was not until after World War II and its aftermath that the Hawthorne studies received their due from scholars. Part of this reason was that, as *Fortune* (1946) magazine noted, Mayo's ideas and the research he inspired were just beginning to bear fruit.

The other significance of World War II to the Hawthorne studies has to do with the labor market. The war had dramatically changed the relationship between labor and capital. Labor's prewar desires had been nationalized by the War Labor Board. Unions had provided a guarantee not to strike. Unemployment had been all but eliminated. Wages did not rise, but neither did prices, due to price controls. Consumption was limited due to the war. People had money but consumer goods were rare. Instead, companies provided healthcare and other benefits to attract workers. Therefore, there was little economic reason for workers to strike. There were little social reasons as well. There was a strong sense of patriotism. Workers were encouraged to believe that they had a part to play in the war. People who were able to work and chose not to were considered slackers. Even the most radical elements of the American society supported the war. In fact, as Eric Foner has noted, World War II was the only war in history that did not have a major protest movement. Labor unions had moved to a position of accommodation with capital under the aegis of the New Deal broker state. The spirit of Gompers had won over unions, forsaking anything similar to the Industrial Workers of the World. Accordingly, labor unions agreed not to strike (Blum 1976; Kennedy 1999; O'Neill 1993).

Yet in both the war and its aftermath, a wide variety of union confrontations with management and the government were seen despite organized labor's promise not to strike that were unprecedented in the United States. Mining leader, John L. Lewis, continued striking during the war. Future President Harry S. Truman, a friend of labor, wanted Lewis shot for treason, claiming that the only reason why this did not occur was that President Franklin Roosevelt lacked guts (Kennedt 1999). For his part, Roosevelt felt that Lewis was the most dangerous man in the country. In addition, *Stars and Stripes*, the Army's official newspaper, attacked labor leaders who struck during the war. Although labor leaders were able to gain some concessions, the loss in reputation, confidence, and political support was, in the words of historian David Kennedy, "immeasurable" (Kennedy 1999: 643). Unions seemed unable to control labor. In 1944, there were 4956 labor stoppages alone. In 1945, there were 4750, and in 1946, there were 4985. These were shocking to the nation (Blum 1976; Kennedy 1999; O'Neill 1993). There was industrial upheaval in Europe and Great Britain as well.

These strikes occurred despite the fact that they were often illegal, wildcat strikes not endorsed by unions. These strikes had issues beyond simple pay; they were often the result of racial difficulties as well as issues with various managers. These wildcat strikes were, in essence, spontaneous actions done by labor against the approval and agreement of either the union or the government. James R. Zetka (1992) has noted that the close collaboration of working together actually provided workers with sufficient trust with other workers that encouraged strikes. Workers also violated the contracts that unions signed with management. The Mayo group noted that humanistic management prevented the wildcat strikes. Jerome Scott and George Homans researched a wildcat strike in Detroit, finding that the actions of one manager, who had developed a sense of trust with workers, prevented the wildcat strike. Scott and Homans, argued for the need for cooperation, the need to study human skills, having discussions with labor about issues, are perhaps the clearest statements on Mayoism. In essence, social interaction with management to encourage trust between workers and management was Mayo's major suggestion.

Mostly, Mayoism was a modification to the notion of rationalization, in that there would always be spontaneous actions since behavior had nonlogical antecedents. The notion was to develop better social skills to replace bureaucratic responses. The flowering of social sciences during the war could provide administrators with the tools needed to manage society. The use of collective bargaining – although still important – was viewed as a necessary but insufficient condition to ensure peace. The idea that workers can have spontaneous behaviors – beyond that of the work contract – meant that there was a need for new techniques to promote cooperation.

A series of articles published after the war hailed the development of new social sciences in aiding cooperation. In addition, several new human relations programs were founded after the war and many of them had connections to Mayo. D. N. Chester (1946) notes that Mayo attempted to address the major concerns of industrial life. The impact of the war could be seen in Kimball's review, where he noted the need to examine the development of social skills. In an article on the war and its relationship with sociology, Parsons and Barber (1948) noted that universities turned to other social issues, including education, race relations, public opinion, crime, alienation, social work, and anthropology with the purpose of promoting cooperation and integration.

One of the major new approaches was industrial sociology. The most notable success was the establishment of a department at the University of Chicago, with W. Lloyd Warmer and Burleigh Gardner as key figures. Both Warner and Gardner had a connection with the Hawthorne studies and Elton Mayo. They took up Mayo's criticism that the university needed to be the focal point of research and training for the administrator. Bladden (1948), who was a critic of Mayo, found himself a director of an industrial relations department a year after the war. Many social scientists were produced by the war providing a supply, while the problems of peace providing the demand (Kimball 1946; Parsons and Barber 1948).

Accordingly, Mayo's work saw acknowledgment in the press in a major way. *Fortune* (1946) magazine was one of the first to recognize the merit of Mayo's work. The unsigned article, as was the practice at the time, noted several important facets of the work. Firstly, *Fortune* noted that Mayo discovered one of the primary elements of behavior in the Hawthorne studies that social factors helped determine production. People did not wish to produce too much, which itself was an element of the peasant work culture that Taylor had only partially exorcised. Secondly, *Fortune* magazine argued that Mayo's ideas were a challenge to the notions held by both Adam Smith and Karl Marx that economics was the principle driver of behavior. *Fortune* magazine also noted that Mayo's ideas went beyond collective bargaining, attempting to seek spontaneous cooperation between various groups within society. In terms of Mayo's attitudes towards unions, *Fortune* found several interesting aspects. Union leader Clinton Golden felt that the work of the Hawthorne studies, especially its emphasis on the informal group, was a step in explaining how unions came to be. Golden went further by noting that unionization merely made these informal arrangements more permanent. Golden also pointed out that some of the social aspects that workers desired could not be explained with collective bargaining. As anyone who has worked a tedious job would understand, social relationships can make the job far more rewarding.

Drucker also pointed out that one of the principle attentions has been on the divide between labor and capital. For the system to work, there must be a reduction in conflict. Drucker asked why did conflict occur? Drucker notes that the principle conflict between labor and management is objective work conditions not someone's villainy. Few people bought into the image of the fat-cat owner or the lazy worker (Drucker 1946). Locke (1982) once noted that the principle contention between management and labor was over monetary wages. Yet, Drucker demonstrated that wage rates are rarely the cause of the problem – the problem is the overwhelming lack of trust that occurs between labor and management. This distrust is the primary driver of labor contention. Drucker notes that managerial unfairness, as well as arbitrary work elements, is the primary causes of dissatisfaction.

Drucker argued that collective bargaining does not substitute for trust. Since contracts are incomplete and enforcement mechanisms are costly, management often attempts to challenge the union on even the most benign matters (Drucker 1946; Locke 1982). Drucker also pointed out that there would be nothing as potentially dangerous as splitting up workers and separating them socially, arguing that workers seek acceptance and validation from their peers. He noted that two different plants – one in Dayton, where workers could compete and socialize with one another, and another at Indianapolis, where workers could not, had a distinct difference in production. Dayton was more productive (Drucker 1946).

An Inchoate Movement

The anti-Hawthorne movement had a high level of reliability, but it is unclear whether other scholars could form a legitimate alternative to the Hawthorne research. The reason is that the Hawthorne studies were a research study that had elements in sociology, political science, anthropology, management, and economics. Each of these fields has different research ends and means, funding, and different levels of legitimacy. The 1930s saw the development and hope that there would be an integrated social science. Robert Lynd, Mayo, and others were calling for science to develop more applied solutions. Talcott Parsons and George Homans would take this a step further by developing theories that explained a wide variety of human behaviors through the lens of sociology, psychology, and economics. C.W.M. Hart (1943) and others praised the Hawthorne studies for attempting to bend the boundaries between fields (Muldoon 2012; Muldoon 2017).

Yet this new science did not emerge. The fields had too many different assumptions and ends. For example, scholars criticize Mayo's work for attempting to improve production and morale. Yet, both of those ends are completely legitimate variables in management and psychology. It would be difficult to publish a paper in organizational behavior that did not have performance, or some variable similar to morale, as a criterion of research. This difference placed an impossible divide between critics and the Mayo group. Mayo's sociological critics talked past the Human Relations writers; Mayo and Roethlisberger did not respond; Homans talked past the critics. There was little conceptual overlap of work-related phenomena research. Psychologists ignored unions; economists placed emphasis on unions; sociology both ignored and placed emphasis on unions. The best reason why would be to follow the money. Sociology received money from unions, and psychology and management from business (Muldoon 2017).

My contention is that the major contenders for the father of human relations, Whiting Williams and Henry S. Denison, would also fail some, if not all, of the criticisms labeled on the Hawthorne studies. I found that there are generally about six major criticisms of the Hawthorne studies listed in the literature between 1936 and 1958. Contrary to Landsberger, the majority of the criticisms came from sociology and reflected the ongoing debates within the sociology literature. I also state that Bell's famous criticism was the focal point of launching the anti-Hawthorne movement. In this section, I would like to dwell on Williams and Denison as competitors to Hawthorne.

Whiting Williams was an early sociologist who conducted research on workplace behaviors during the 1910s and 1920s. He discovered many of the same "findings" that the Hawthorne studies did. Williams found that workers were motivated by feelings, worth (even managers), social relationships, social comparison based on pay, and the need for social interactions on the part of the worker. He also noted that workers sought union membership due to ineffective and arbitrary management. He discovered most of what would become Human Relations. Henry S. Denison, an executive and member of the Taylor Society, made similar findings, by stressing nonfinancial rewards, job enlargement, and social interactions, noting their role in increasing production. Wren and Bedeian note that one of the reasons why Human Relations commences with Hawthorne was that the Hawthorne studies had more of a scientific element (Bruce 2015; Wren 1987).

Yet the work of Williams and Denison would flunk several of the same criticisms leveled at the Hawthorne studies. For instance, sociology scholars would have had issue with the fact that job performance and cooperation were still dominant themes in the work of Williams and Dennison. Performance and cooperation would have been regarded not as objective criteria, but desired outcomes. In addition, scholars would have attacked Williams and Dennison (the same way as the Hawthorne studies) as observations collected at random, rather than a systematic study or experiment. Some radical scholars, such as C. Wright Mills and Daniel Bell, would have attacked Denison and Williams since they both supported maintaining, while reforming current structures of power, rather than overthrowing them. In addition, radical scholars would have challenged the idea that Dennison and Williams, men of privilege, would have really understood workers – a criticism that was placed on the Mayo group. Williams's type of research, undercover, was increasingly losing its influence over the field to survey and experiment.

Finally, the 1940s saw the emergence of theory within the field of sociology as a means to gain respect and legitimacy. Accordingly, several papers at the 1946 meeting of the American Sociological Society addressed the need for theory as well as scholars publishing work on how to theorize. This approach was hegemonic within the field, touching on the most prestigious schools in sociology, Harvard and Columbia. Theory, it is important to note, is hypotheses deduced from a set of propositions that are logically true called covering laws (Homans 1984).

This is different than theorizing based on observation. This was a stunning turn for the field, which up to the 1930s, had been devoted to practical research on social issues. Moore, one the drivers of theory, stated plainly that Mayo "is ignorant of the role of theory in social research" and that he instead "advocates amassing observations, apparently at random." Moore argued that this approach caused the misnaming of variables and confused hypotheses. I believe that both Williams and Denison flunk this test as well. I see little theory in Williams, as noted at the time; he provided interesting insight but with little explanation. Denison was considered, as Bruce notes, a theorist but one who was practical in orientation that developed observations inductively. As I note in my work on Homans and Fayol, this approach would have been considered illegitimate in the logical positivist 1940s and 1950s.

There is nothing new under the sun. Henri Fayol described the Hawthorne findings before Williams and Denison. St. Benedict predated Fayol. Roethlisberger suggested that Mayo was an update of the Gospel of St. Luke. Hawthorne, despite its problems, was perceived to have better methods, as well as stimulating scholars to research boundaries. It is not just knowledge, but also the methods we use to discover knowledge. The reason for multiple discoveries is often that a researcher made a fatal flaw, such as when Copernicus developed the heliocentric model. Galileo and Kepler were the ones who made it work.

Alternatively, Denison and Williams did not leave behind a generation of scholars to replicate and refine the original work. Alternatively, they worked, when their research was not in vogue. As I have noted, the Hawthorne studies combined better methods, explanations, and inspirations than the work that followed. Hilda Weiss Parker (1958) could claim that, until Mayo's work, there was little systematic and experimental research conducted in relationships at work. Williams work was reviewed, but scholars had some issues with the methods and insights. I have found not a single review of Denison's work in JSTOR. However, Mayo's work directly inspired subsequent research. My 2012 article has a long list of studies that were inspired by Mayo and this is merely a sample.

Mayo's work was disseminated at a time when scholars were attempting to move past bureaucracy to develop means of trust. The other reason why the Hawthorne studies became the dominate field was the human and social capital that Mayo reproduced. He legitimized the business school at Harvard, launched the careers of the two most cited sociologists of the 1960s (Parsons and Homans), and launched work centers at Chicago and Cornell. Elton Mayo inspired the political scientist Harold Laswell. Even Mayo's arch critic, Daniel Bell, noted that the emergence of industrial research at the university was because of Mayo. Put simply, Mayo inspired a generation of scholars to refute, expand, or explain his findings, or develop theory based on his findings. Mostly, the Hawthorne studies were the most significant contribution in that it forced the study of workplace behaviors as a distinct field separate from the worker and community (Trahair 1984).

Elton Mayo: The Manager as Therapist

Scholars have placed Mayo and Taylor as a match pair fighting over the nature of industrial life. These two men are in opposition to each other because Burleigh Gardner and Stuart Chase sought to separate the work of both men. In addition, as Bruce noted, the Taylor society held less than promising views of the Hawthorne studies. Depending on your perspective, it is the scientifically valid Taylor versus the unscientific Mayo or the inhuman Taylor versus the humanist Mayo. Other scholars, such as Edwin Locke (1982), J. Boddewyn (1961), and Daniel Wren (2005), have noted that Taylor preceded Mayo. We should see the Hawthorne studies as both an attempt at an applied social science and answering the limitations of scientific management. Mayo and Taylor should not be viewed as competitors rather as complements. Along with Stephen Warring (1994), I view modern organizational behavior to have elements of both Mayo and Taylor.

Lyndall Urwick (1937, 1943, 1944) attempted to combine both viewpoints into a new management theory. Mayo addressed the Taylor society; Roethelisberger praised Taylor. Powell (1957) sees Taylor as the genesis of the human relations movement, noting that Mayo considers issues of social organization, but that Taylor also had a simplistic understanding of social and psychological issues. It should be noted that this was the case, as we will discuss later. Powell also noted that Williams produced some of the most important work; he developed shrewd insights about plant life. Yet, Powell also notes that it was Mayo who built on the work of Powell in expanding the role of worker social behavior at work. Time magazine noted:

> The seeds of this change were sewn by two great pioneers whose names are scarcely known – Frederick Winslow Taylor, a one-time day laborer, and Elton Mayo, an Australian immigrant turned Harvard sociologist. Their work did not seem related but it was. Taylor, who died in 1915, was the father of scientific management; he increased industrial production by rationalizing it. Mayo, who died in 1949, was the father of industrial human relations; he increased production by humanizing it.

Bendix and Fisher (1949) noted that in the future we should see them as "not unrelated." Wren and Bedeian have argued that they should be seen as complements.

William Hawley Cooper (1962) delivered the most sustained analysis of the relationship between Hawthorne and Taylor. He argued that they both focused on different aspects of the job. Taylor was, according to Cooper, (pg. 23) a form-perceiving manager,

> aware of his surroundings in terms of shape, structure, and orderly arrangement. His perceptions are analogous to those of a builder who takes a disorderly mass of raw material and converts it into a recognized useful order, or to a scientist who looks at the seeming chaos in nature and either defines or creates an orderly pattern, or to an artist who sets down on canvas an arrangement of patterns that he hopes are meaningful.

Mayo viewing tasks and procedures as a process-receiving manager might as one who views life as transitory and lacking set form.

Mostly, to use contemporary terms, Taylor was concerned with economic exchange, where the terms of the exchange are discussed beforehand, where everyone has distinct roles and remuneration is known beforehand. Taylor sought to increase trust through scientifically determining both work and pay conditions. Yet, Taylor ignores that a great amount of meaning is determined through social interaction and that not all aspects of work could be broken down. Mayo's recognition was that in an earlier, preindustrial society, people clearly understood their obligations because roles were socialized through rituals, which in turn allowed for trust and spontaneous cooperation to ensue. Mayo recognized that the new order, one based primarily on economic benefit, had washed away this old society, creating a new society where acquisition was the primary obligation, ignoring other social issues. This created a lack of trust and cooperation. Mayo was more concerned with what makes spontaneous cooperation possible. Social outings, encouraged by management, are not, by definition, spontaneous.

The notion of cooperation is one of the principle driving factors behind the development of both scientific management and the advent of the human relations movement. William H. Knowles (1952) argues that the term "cooperation" is one dependent on the field. For example, economics focuses on the ability of the market to ensure cooperation between various partners who use prices to coordinate between buyer and supplier. Yet, anticipating transaction cost economics, Knowles's perspective breaks down in the face of larger collectives. After all, most transactions are nonmarket. The price mechanism often sets a bare minimum of cooperation, namely, what a worker could do without losing his job. From the manager's perspective, the maximum amount of effort sought would increase the speed of production without facilitating a strike. Compounding this problem is the issues raised by Karl Marx, who pointed out the paradox – that capitalism's growth was based on the growth of cooperation. Cooperation would be based on division of labor, which would require the need for a directing authority and that this directing authority would extract as much production on an increasingly dependent workforce. Therefore, a new system of coordination was needed to aid in exchange. Marx's solution was dictatorship of the proletariat and control means of production. Taylor sought to use science and financial incentives to solve the problem; Mayo sought to use social ties.

As Wagner-Tsukamoto (2007) noted, Taylorism was mostly concerned with the ability of managers to handle issues of opportunism on the part of workers. Taylor saw the solution to opportunism as both science and incentive, ignoring the fact that a great many parts of work are, as Mayo noted, spontaneous. In a system that is rationalized, where every arrangement is determined by job design and job performance is quantified, there is little in the way of actual trust and discretion. Thus, there is very little need for actual management, since everything is determined by function. Taylorism was incomplete because it could not understand that trust can be a solution to work problems. Many organizations have shifted away from the hierarchical model of performance to a model based on social exchange relationships. The reason is that, once again, we have recognized that there are certain behaviors that could not be preprogrammed. A usual job description contains some, but not all, of the tasks required by the company, as companies often use the open phrase "as determined by the supervisor." How could management ensure completion of those tasks, especially for behaviors that are informal and unrewarded (Organ et al. 2006).

Mayo understood that group interactions were a common part of the job. He was correct that groups could allow soldiering. The difference was that Mayo understood that financial incentives were not the basis of cooperation, because the manager/scientists could not conceive of every element at work. Nor could government structures and rules ensure compliance. Human relations seemed to become more popular in the years after World War II as a means of dealing with wildcat strikes, of which there were many, despite the "no strike" promises offered by management. Mayo was also correct that no amount of money could eliminate the need for social interactions. Although he overstated his case greatly, even his greatest critic, Daniel Bell, recognized the majority of social relationships come from work. Certain studies performed during the 1950s, such as Roy's Banana Time, confirm this general idea. Mayo's belief was that modern social scientists should create rituals as a means of ensuring cooperation. To summarize, Mayo added the social element to Taylorism, creating a system of both formal and informal inducements to create trust and effort.

Conclusion

Elton Mayo left a great record. Even Bell, his most notable critic, both in his 1947 article and his later work, recognized that Mayo had developed a new approach in recognizing the importance of studying workplace behaviors, as well as the importance of the manager to society. Again, this is not to say that Mayo was original. I find myself in agreement with Drucker that Mayo was a true scholar in that he was a codifier and an originator. I wrote (Muldoon 2012):

> Hawthorne's second contribution was that it provided researchers with a more focused analysis of workers' interactions within the organization, such as the social interaction between workers and supervisors. Contemporaries understood that the work of the Hawthorne researchers was not only more rigorous than the work of Williams, but also provided new paths and understandings for future research. Whether the contribution was providing the concept of the man in the middle or exploring the dynamics of social influence on production (Whyte 1956), scholars noted that the Hawthorne studies provided a new and significant break from the work of Williams and other contemporaries. Summed up this idea when he conceded that the original and pioneering effort of industrial sociology was *What's on the Worker's Mind*. He also noted, however, that Mayo's group made the most influential contribution because it focused attention squarely on the internal organization so that it became the dominant concern of industrial sociology. The general conclusion from both Mayo and Williams was that workers' motivation was a combination of both monetary and non-monetary benefits. (Parsons 1940; Rogers 1946)

It was not that Mayo was original, nor did he develop a theory, nor did found a school – his disciples had rigorous arguments between them. He did not produce an applied solution to the labor question nor did he endorse any propose solutions. In fact, he argued that there were no known solutions. What Mayo did was to demonstrate the complexity of modern work life and the need to take the attitudes, feelings, and other motivations of workers seriously. He codified the other findings of the 1920s.

Modern organizational behavior bares his imprint directly. Due to Mayo's efforts, we demonstrated that work motivation has intrinsic and social elements in addition to monetary benefits. We have demonstrated that job satisfaction, organizational commitment, and morale are important outcomes to job performance and that managers should pay attention to them. We know that work stress and injury is related to relationships and attitudes, as well as working conditions. There is vast literature on the need for managers to develop relationships with workers that create spontaneous behaviors and cooperation. We also have demonstrated, through transaction cost economics, that not every work condition can be known beforehand nor can we effectively monitor workers. This rich legacy was due to the Hawthorne studies and Elton Mayo. Mayo may not have been a deep and rigorous thinker, but he understood the big picture of the modern world better than anyone, including Taylor (Whyte 1987).

The failures of welfare capitalism and pure unionism to produce a cooperative society have been noted during Mayo's time. In fact, the importance of supervisor/subordinate relationships within the organization is intensified in the current business environment due to the presence of reorganization, downsizing, and layoffs. All of which limit the social rewards and potential satisfaction individuals derive from the organization, making it necessary for these individuals to seek satisfaction elsewhere. Supervisor/subordinate dyads enable both parties to gain satisfaction, thus encouraging them to exchange resources that aid the organization.

Consequently, supervisors are encouraged to create quality relationships with their subordinates as a means of ensuring the proper functioning of the organization (Cappelli et al. 1997; Organ 1988; Rousseau 1998).

If Mayo did not matter, why do we spend so much time looking at measures related to job satisfaction and commitment? If spontaneous behaviors and relationships beyond economic exchange were not important, why is there vast literature on social exchange? Mayo's contemporary and historical critics fail to answer those questions. The profession owes them a great deal however, since they force us to examine why Mayo emerged and the intellectual context of the research. Part of the problem, as Landsberger suggested, should be placed directly on the shoulders of Mayo. Mayo did not have the ability to define his interests precisely and was too ambitious in his endeavors. Had he simply suggested that he was looking at spontaneous behaviors, in conjunction with programmed behaviors, he would have made his contributions more clear. In addition, had he engaged the scholarship literature or his critics, his contribution would have been more obvious. This combination means that Mayo's legacy contains unneeded complexity. Like Taylor, Mayo suffered a lack of empathy or understanding with his critics – repeating his mantra "let the heathen rage." His unwillingness to engage meant that Mayo only produced more heathens (Smith 1998).

Cross-References

► Organizational Psychology and the Rise of Human Resource Management
► Taylor Made Management

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Organizational Psychology and the Rise of Human Resource Management

24

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to explain the development of both human resource management and psychology. The major contention of this chapter is that both human resource management and psychology were created to supplement, but not supplant, Taylorism by providing a better understanding of social motives and tests to scientifically select workers.

Keywords

I/O psychology · Human resource management · Welfare capitalism · Human relations

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Introduction

In the previous chapter on Taylorism, I argued that Taylorism could be seen as an attempt to rationalize worker behavior based on new developments in knowledge, the rise of science, and a sense of idealism that knowledge transforms working and social conditions. In this chapter, I argue that the emergence of Taylorism leads to the emergence of human resource (HR) management. That is to say, the early proponents of human resource management recognized, like Taylor, the importance of workers in terms of production. Unlike Taylor, they recognized that Taylorism had underplayed social motivations and so sought ways to understand social influences. Like Taylor, early HR proponents recognized that workers had different skills and aptitudes, but unlike Taylor, they began to develop techniques to scientifically select workers based on mental abilities. Much like Taylor, early HR advocates also recognized the need for higher wages based on performance, but unlike Taylor, they also recognized the need for social interactions at work. In essence, they were on the other side of the progressive movement – one focused on the individual in society, rather than technical skill. They were competitors to and complements to Taylorism.

The development of HR took place in Germany, with the emergence of scientific psychology as a field of study in the nineteenth century, and continues to cast a shadow on contemporary psychology and management (Robinson 1995). Psychology was brought to the United States by émigré Germans (like Hugo Munsterberg) and American students (like Walter Dill Scott; Benjamin 2007). HR was adopted by Americans, such as Frank and Lillian Gilbreth, who wished to provide psychological techniques to better understand the workers' mental processes. The nascent field of human resource management was encouraged and legitimized by the United States experience of World War I (Kennedy 1980). Human resource management was both a progressive action and a conservative compromise to prevent radical solutions to industrial problems. Mostly, it was a modernist-inspired reform that occurred to improve social and working conditions by raising workers from their premodern, peasant work culture to the new modernist culture of plenty. Human resource management can be seen as a progressive reform attempt to address ongoing social problems. It also occurred because philosophers debated the relationship between individual and society, realism and idealism, and agency and determination.

The Rise of Psychology

While psychology has been studied for centuries but as a subset of philosophy (Boeree 2018), scholars did not believe it could be a science until the last 200 years (Benjafield 2010). This view was held by philosophers such as Immanuel Kant. General historical psychology studies, both popular and academic, start with the classical philosophers stretching from antiquity up to the nineteenth century, when psychology began to emerge as a distinct field. In fact, most of the psychologists who set the general models of psychology (with the exception of B. F. Skinner) were born in the nineteenth century (Robinson 1995). Many of the early professional and academic psychologists had backgrounds in philosophy or medicine, which continued up to the career of Elton Mayo (Robinson 1995; Traihair 1984). Several important developments of the nineteenth century allowed for psychology to become a distinct field apart from philosophy.

The birth of psychology occurred in Germany and would spread to the United States during the period of 1870–1940 (Benjamin 2007; Benjafield 2010). Many of the concepts of human resource management would develop in Europe, but the greatest application would be in the United States. There are several drivers to this, but the largest was that reformers understood that American exceptionalism, the idea of a nation of small farms and providers (Lincoln's America), died during the Civil War (White 2017). The Civil War, and other events, aided in the interconnection of America through communication and transportation, and the emergence of bureaucracy provided the challenge to the Old America of small farms and businesses (Wiebe 1967). In addition, the proclamation of the end of the frontier by the federal government provided further ammunition for reformers that American exceptionalism had run its course. According to Daniel Rodgers (1998), America entered into an asymmetrical relationship with Europe to solve social problems. As Rodgers and others noted, America's contribution was Fordism – my contention was that American thinkers took European ideas and used them to create human resource management.

This genesis started with a rejection of the Kantian philosophy of science. Like many scholars of his generation, Kant believed that Newtonian models held the secret to science and that any true science should be based on Newton's work (Benjafield 2010). For Kant, this meant that science should be based upon mathematical models (Mischel 1967). Kant, however, did not believe psychology could ever become a science, like physics, and should be held as a philosophy (Benjafield 2007). His reasoning is that the processes of the mind were organized temporarily, unlike the physical world, which is organized spatially. Kant believed that the processes of the mind could not be studied mathematically as they changed too quickly. However, Kant also recognized that the progress of science could change commonly held nostrums.

German scholars of subsequent generations could challenge Kant's arguments. What Green et al. (2001) called the "transformation of psychology" occurred due to scholars understanding that psychology could be studied through mathematics and then through experimentation. J. F. Herbart, who took Kant's position at the University of Konigsberg, was one of the first to recognize that ideas could facilitate each other the same way that physical forces could. These forces could also vary, like physical forces, in their intensity. Therefore, if ideas mirrored physical forces, then they could be studied mathematically. G. T. Fechner built on these ideas by developing an approach to psychology that could be considered truly scientific (Benjafield 2007). Fechner developed psychophysics which held that we could develop a mathematically precise relationship between "stimulation and sensation that could be tested through experimental data" (80). In addition, Fechner understood that outside forces can influence the mind – basically the relationship between stimulation and recognition.

Another important contribution to emerging psychology was the work of Charles Darwin, the father of evolution (Benjafield 2007). The concept of evolution rebutted the medieval world ideas of the time which argued that God had organized the world into hierarchies and those hierarchies were immutable. Darwin observed that species can evolve and change. Darwin preached the concept of natural selection and survival of the fittest which stated that the worthy would be more likely to pass their genetics onward to the next generation (Benjafield 2007). Darwin's concept meant that humanity was not bound by God's limits, but could evolve and change. Darwin's concepts meant that humans could be studied and modified to fit the needs of society (Goldman 1952).

Another important outcome of psychology's emergence as a science was the development of laboratory psychology. If psychology could be reduced to mathematical terms, then it could be studied like other sciences (Robinson 1995; Benjamin 2007). The origin of this type of study occurred in Germany, which was at the forefront of laboratory research (Benjamin 2007). Wilhelm Wundt led this movement and would become the founder of modern psychology. The reason why scholars have provided him with this honor is due to the fact that Wundt melded philosophy with physiology through the use of "that enduring motif" of modern psychology, the laboratory (Capshew 1992). Wundt's laboratory psychology sought to understand how elements of the conscious experiences could lend themselves to mental aggregates that could be studied. Wundt also influenced and mentored many psychologists including G. Stanley Hall, James McKeen Cattell, Walter Dill Scott, and Hugo Munsterberg, who holds the title of the first applied psychologist.

Wundt's contemporary and rival was William James, the Harvard psychologist and philosopher, who created the first psychology lab in 1874. Whereas James's lab was one of demonstration, Wundt's was one of research (Benjafield 2010). Yet James made three contributions to psychology. The first one was the concept of habit in that people perform activities that are consistent, distinct, and similar that emerge from adaptation to the environment. James, along with his contemporary John Dewey, argued that thought must lead to action. Second, James further developed Kant's idea of understanding (e.g., demonstrating that experience was a condition of knowledge) by arguing that knowledge interacts with the environment rather than just being a reflection of it (Kloppenberg 1986). Third, James, the father of pragmatism, forced scholars to consider the practical implications of actions – which is that knowledge should be tested to be verified (Gutek 2014).

Another important development of the nineteenth century and early twentieth century was the transformation of knowledge that recognized a midpoint between idealism and empiricism. Much like Taylor's work, which held that work could be quantified, scholars of what Kloppenberg called the via *media* developed ways to enable psychology to be studied. These scholars were Wilhelm Dilthey, Thomas Hill Green, Henry Sidgwick, Alfred Fouillée, William James, and John Dewey. Firstly, they rejected the idea that humans were bound by invisible forces that constrained and defined human interaction. The previous generation believed, like Abraham

Lincoln, that they were controlled by events (Donald 1995). However, the post-Civil War generation believed that people had agency. As Kloppenberg noted these intellectuals "revealed that freedom is an irreducible part of immediate experience that neither science nor metaphysics can challenge or explain away" (412). This meant that individuals could be melded and reformed. It also meant that people were not a singular group bound by original conditions. Yet they also recognized that people were connected by history and society through a web of relationships and circumstances; an "idea that social relations are a fundamental part of individual life altered the meaning of individuality by excluding the possibility of prosocial or nonsocial experience on which so much earlier political theory relied" (412). This meant that individuals could be studied as groups because society existed rather than everyone being a distinct individual.

One of the questions was the influence of outside forces on individuals. James was distressed by the deterministic nature of Wundt's psychology, and his exposure to it placed him in a malaise that lasted for a period of 5 years (Kloppenberg 1986). Their argument was over Darwinian concepts. Wundt believed that human behavior was determined by its environment and was not changeable. Yet James was able to resolve this issue by reading poetry of Wordsworth, who, according to Kloppenberg (1986), convinced him that free will was not an illusion. James took it a step further – noting that free will and determinism was a false dichotomy. Individuals are free to choose, but they are also defined and constrained by outside forces. In fact, adaption to those outside forces is a concept that people were able to survive. This concept became what Eric Goldman (1952) called "reform Darwinism," in that the use of knowledge and science can liberate individuals from their current status as there is no natural law that stated they had to be that way forever.

Goldman's concept of "reform Darwinism" and via *media* could refer to the idea of government reform, and, in fact, both are cornerstones of modern liberalism and social democracy (Kloppenberg 1986). However, both concepts could refer to the application of social science at solving society's problems. Indeed, the modern fields of social work, psychology, sociology, and management all have their genesis during this time period. Part of the reformers problem was to maintain the benefits of the new world of machination and factory while reducing some of the worst examples associated with it. For this reason, a multitude of scientists sought to solve problems through reform. Compassion for the poor, driven in part by Christian morality, secular humanism, and modern science, motivated reformers (Link and McCormack 1983). Their target was the working class, whose conditions made them a prime place for testing new concepts. The concept of intersubjectivity, that is, humans discover their true selves in interactions with others, would underline much of the concept of human resource management. Workplace reform has been given a short shift in traditional studies of the progressive movement. Yet the modernization of work could be seen as providing similar problems as reforming the working class. According to Bruce Kaufman (2008), the emergence of human resource management took place because workers needed skill development and training and socialization to the new work environment and businesses needed scientifically developed selection techniques in order to select workers. In other words, it reflected the reform instincts of the progressive movement. As I mentioned before, management could be seen as providing modernization to the workplace, in order to overcome the pre-modern nature of work habits.

Great Apart, Better Together: The Gilbreths

Frank and Lillian Gilbreth made tremendous contributions to the field of management over the course of their careers. The timeline of their contributions was incomparable. From the 1890s until the early 1970s, both Frank and Lillian, sometimes together, sometimes apart, made significant and far-reaching contributions to fields as disparate as construction, sports, office work, healthcare, and the modern kitchen. It was a testimony to their greatness that in Wren and Hay's (1977) evaluation of management thinkers, Frank is placed third and Lillian, fifth. Although they faired more poorly in Heames and Breland's (2010) reconsideration, both Gilbreths still cast a large shadow upon the field of management. Frank achieved greatness before Lillian and Lillian, after Frank died. But they worked better together. Their contribution was to combine efficiency engineering with humanism – in essence helping our modern understanding of human resource management (Mousa and Lemak 2009) and modern production, such as the Toyota system (Towill 2010). In fact, the timelessness of their viewpoints is why scholars still recommend Gilbreths' work to improve ongoing work and social problems, such as healthcare (Towill 2009). Their guiding light was efficiency both at work and at home (Bedeian and Taylor 2009), a common refrain in the Progressive Era (Haber 1964). Perhaps the reason why they were attracted to each other was that they shared the same goals and a recognition that they could accomplish more together than they could apart. In many ways, they were like another couple at the time, Sidney and Beatrice Webb, in that they had the spirit of reform coursing through their lives (Himmelfarb 1991).

Frank Bunker Gilbreth (1868–1924) was born to a New England family, whose roots traced back to the Colonial times (Gibson et al. 2016b). Frank was the third child born to a prosperous hardware store owner and his wife. Frank learned the Yankee principles of thrift and hard work from his parents. His father died from pneumonia when Frank was 3, and Frank's mother either mismanaged the inheritance, or more likely, it was stolen from them by Frank's paternal relatives (Lancaster 2004). This devastated the family, forcing Frank's mother to open a boarding house in Boston. Yet there was a benefit to this; Frank and his sisters were able to attend some of the best public schools in the country (Yost 1949). However, Frank was a poor and indifferent student – but he excelled in mechanical, science, and math classes (Gibson et al. 2016a, b). Frank also demonstrated an ability in drawing and writing – which, according to Gibson et al., would be a major benefit to him when he later became a consultant. Frank's grades improved enough to the point where he was able to gain admission to the Massachusetts Institute of Technology. However, Frank made the decision to turn down college to work in construction.

Gilbreth's mechanical skills and choice of a career were not unusual; building tradesman was often paid higher than other professions. Gilbreth advanced rapidly, learning every part of the construction job, designing his own techniques, and building scaffolds, and within 5 years was a superintendent of the company and, 10 years after he started, the chief superintendent of the company (Wren and Bedeian 2018). Gilbreth's attention was peaked when he noticed that Tom Bowler, the "star bricklayer," taught Gilbreth three different ways to place bricks. This encouraged Gilbreth to understand that there could be an optimal way to work, and he took steps to find that way. He also realized that proper supervision, training, and incentives would allow men to work and produce more. Unlike Taylor, Gilbreth joined the American Federation of Labor and sought to have a strong relationship with organized labor (Gibson et al. 2016a, b). Lillian would also agree with Gilbreth and against Taylor about workers motivations and needs (Graham 2000).

When Gilbreth failed to make partner in the construction firm, he started his own firm which quickly became a success. Gilbreth already owned patents on the Gilbreth Waterproof Cellar which prevented leaks during construction, Vertical Scaffold which allowed for bricks to be moved, and a concrete mixer whose sales were very helpful during the early years of his company. Due to his innovations, he was able to dramatically reduce prices. According to Gibson et al. (2016a, b), Gilbreth's company built factories, power plants, and canals where his "cost plus fixed sum" bidding system, albeit controversial, provided him with a competitive edge against the competition (as well as numerous court appearances). His success made him very famous, and he had an office in London, where he consulted with the British admiralty (Wren and Bedeian 2018).

In 1903, Frank Gilbreth met Lillian Moller Gilbreth (1878–1972) who would become his wife, academic partner, one of the first industrial/organizational psychologists, and the first lady of management (Wren and Bedeian 2009). Lillian was the 2nd of 11 children born to middle-class German-American parents. Lillian had been homeschooled for several years until she started first grade at the age of 9, making her older, better educated, and shyer than her classmates. Her parents opposed sending Lillian to college, but due to the influence of her aunt, Lillian was able to convince her parents to attend college, but only at the University of California at Berkeley (Gibson et al. 2015). For her masters, Lillian went to Columbia University to study English. Unfortunately for Lillian, the professor she wished to study with would not take female students or even allow them in his class. Fortunately for management, Lillian took a course under Edward Thorndike, who developed in Lillian a passion for psychology (Gibson et al. 2015).

Fate intervened when Lillian fell ill, having to leave Columbia to complete her master's degree at Berkeley. Lillian's drive for a career was due in part in her belief that she was unattractive and had little to offer the opposite sex. Her career goal was to become a college dean. When the "shy" Lillian met the "ball of energy" Frank Gilbreth (Gibson et al. 2015), Frank provided Lillian with a confidence that she did not have before; her decision to focus on management was due to her marriage – although her prior experience with Thorndike played a role as well. For Frank, she provided a new dimension to management – psychology. Lillian would complete the equivalent of two doctorates (Wren and Bedeian 2018). Her work at Berkeley would become *The Psychology of Management*, one of the first books on industrial and organizational psychology (Gibson et al. 2015). But she was denied her degree due to a residency requirement. However, she completed her dissertation at Brown University with her dissertation on eliminating waste in teaching.

The combination of both psychology and production efficiency produced a cutting-edge version of management – in some ways similar, but even more advanced than some of the recent techniques devoted to quality (Mousa and Lemak 2009). Frank Gilbreth understood, more than even Taylor, that the implementation of scientific management would be more difficult than Taylor thought. Lillian provided the psychology background that would strengthen the relationship between scientific management and psychology. While both Frank and Lillian were concerned with waste in industry, they also took a broader societal perspective on the nature of waste and inefficiency in all aspects of life (Graham 2000).

To summarize, the contributions of the Gilbreths are as follows: according to Krenn (2011), the Gilbreths' book, *The Fatigue Study*, combined the study of scientific management's concerns with the physical aspects of work with the psychological aspects of work. According to Gibson et al. (2015), the most notable contribution of the Gilbreths was that:

> While supportive of Taylorism, Lillian and Frank believed that it lacked a human element, which Lillian was able to introduce based on her academic training in psychology and understanding of scientific management. Her methods included capitalizing on individual skills and satisfactions by using psychology to develop the work experience, and this was the basis of her thesis "The Psychology of Management." Lillian brought the training, insight and understanding to move the human aspect of the scientific management effort forward by recognizing that workers need to feel included in the decision making, be interested in their work by applying relevant skills and have a sense of job security. She acknowledged that satisfaction varies among people and championed the idea that workers should be treated fairly.

Accordingly, they expanded on Taylor's notions of training to include considering the satisfaction of workers.

The Gilbreths had a complicated relationship with Taylorism. Both Gilbreths were disciples, peers, and rivals of Taylor (Nadworny 1957). They agreed with Taylor for the need to develop of a science of work to promote efficiency in order to reduce waste and increase production (Dean 1997). They also admired many aspects of Taylorism – but they sought to develop and further the structure. While Taylor recognized the need for a mental revolution, the Gilbreths took steps, through Lillian's psychological background, to help make that mental revolution happen (Gibson et al. 2015). Gilbreth also believed that motion study was superior to time study as a means of increasing production. For his part, Taylor supported some aspects of the Gilbreths' work, but he also doubted that Frank Gilbreth would spend the time needed – according to Taylor 4–5 years – to fully implement Taylorism. Also, Taylor believed that Frank Gilbreth cut corners and hurt their relationship with one of their clients (Wren and Bedeian 2018). Although a public reconciliation happened between the Gilbreths and the Taylor Society, they remained adversaries.

Munsterberg, Scott, and Van Dyke

Other scholars recognized the importance of psychology to the field of work (Van De Water 1997). The pre-World War I era saw a blossoming of psychology research on applied questions. The shift of psychology was now from the laboratory to the factory, school, household, and even the mud and trenches of World War I (Benjamin 2007). The branch of psychology that worked with management is industrial-organizational psychology (I-O), which is the psychological study of work. The relationship between management and psychology continues to this day. Psychologists regularly published in such high-quality journals as the *Academy of Management Review* and the *Journal of Management*; management scholars publish in the *Journal of Applied Psychology* and *Personnel Psychology*. Some top management scholars, such as Edwin Locke, hold degrees in psychology.

There are three psychologists who can lay claim as the first I-O psychologist: Hugo Munsterberg, Walter Dill Scott, and Walter Bingham Van Dyke (Van De Water 1997; Benjamin 2007). Each man combined scientific rigor with entrepreneurial activity (Van De Water 1997). As Van De Water (1997, p. 487) noted:

> Applied psychologists' self-promotion in a wide variety of media targeted the general public, government, business people, and skeptics in the academic community. These applied practitioners soon established themselves as professionals by means of new journals, independent membership organizations, educational institutions, and even private companies offering psychological services. This combination of internal and external forces helped transfer industrial psychology from a few individuals' visions into larger, self-perpetuating institutions.

Their goal was correcting Taylorism. Taylor had promised management a mental revolution and a solution to societal unrest (Nelson 1980, 1995). Unions complained that scientific management eliminated the need for collective bargaining and that some of their findings were less than scientific (Nadworny 1955). I-O psychology replaced many aspects of Taylorism with a more thorough understanding of human motivation and better testing (Van De Water 1997). Yet it was also true that psychology absorbed most of the traits of scientific management, including the preoccupation with efficiency (Baritz 1960).

Hugo Munsterberg was an academic star, whose light once shone brightly in the academic firmament, but his reputation is now a burnt-out husk. At one time, Munsterberg's opinion was sought by companies, politicians, professors, and reformers, but when he died, he was the most hated man in America (Hale 1980; Keller 1979). Benjamin (2000) noted that in Munsterberg's papers, there are four full folders of hate mail. Yet despite this, Munsterberg is the leading candidate for the title of the father of industrial/organizational psychology (Landy 1992). For most of his career, Munsterberg was recognized as a preeminent psychologist. His fame and renown was such that Harvard spent several years courting him. Munsterberg provided comments on many aspects of life whether it was jury selection, vocational guidance, educational matters, and even film (Spillmann and Spillmann 1993; Porfeli 2009). Yet his own value as a scientist was consistently undermined through a combination of his own arrogance as well as his pro-German stance around the time of World War I (Landy 1992). Munsterberg lost some of his professional standing due to feuds with Wilhelm Wundt and William James (Landy 1992; Spillmann and Spillmann 1993; Benjamin 1997).

His pro-German stance during World War I won him little credit from his contemporaries. Munsterberg was aggressive, arrogant, and imperious. Munsterberg was frequently known to attack colleagues in print – not by name, but by implication, a practice unknown to American psychologists at the time (Benjamin 1997, 2000). Professionally, Munsterberg did not present his ideas in a scientific manner; he often used testimonials. Landy (1992) summarized the attitude of the next generation of scholars:

> Burtt recalled that Munsterberg was an idea man and excellent in experimental design and instrumentation but not very good at statistics. This description is confirmed by others (Hale 1980). It was this weak empirical base that most likely led to the less-than-positive views of the next generation of industrial-organizational (I-O) psychologists as represented by Viteles, Kornhauser, and others (e.g., Viteles 1932).

Despite being recognized as the top psychologist at the time of his death, his reputation was in complete tatters 3 years after he died (Landy 1992). By 1919, less than 3 years after his death, there was hardly any reference to any of his more than ten books and dozens of articles in basic and applied psychology. Landy's own review of citations from the *Journal of Applied Psychology* bears this out. If Lewin died in the midst of things, Munsterberg died at the end of things. In fact, his death saved him from prison, a fate that many dissenters of war suffered (Kennedy 1980).

Yet Munsterberg's contributions to management were many and varied. Munsterberg commented on a wide variety of topics including juries, hypnosis, African Americans, and Christian Science, but it was to the psychological side of management where Munsterberg made his most dynamic contributions (Spillmann and Spillmann 1993; Benjamin 2000). Munsterberg was forced to go into applied psychology and industry due to his feud with James (Van De Water 1997). Munsterberg's prime focus was on work sample testing and aptitude testing. He was one of the first to introduce the concept of validation to work samples – seeking to make sure that his tests accurately reflected both measure and theory. Munsterberg developed tests with content and construct orientated validity. For some jobs, his tests were holistic; for others, they were detailed and complex. Unlike one of his rivals, James McKeen Cattell, Munsterberg would change his tests to reflect the needs of his clients (Van De Water 1997). Through the use of these tests, Munsterberg gained a sense of renown that helped to replace some of the luster of his failed position at Harvard (Landy 1992).

Munsterberg's great challenger to the title of "father of I-O psychology" is Walter Dill Scott, who many in America believe is the real father (Vinchur and Koppes 2007; Benjamin 2007). Much like Munsterberg, Scott was both an entrepreneur and a student of Wundt. Unlike Munsterberg, Scott was a skilled politician, who would become a University President at Northwestern and would win a Distinguished

Service Medal. Scott did make several contributions to management, but he is primarily known as the expert in the field of advertising, where he developed the notion that consumers are irrational and prone to manipulation through suggestion (Kuna 1976). For example, for a food advertisement, the consumer should be able to taste the food; for a piano, they should hear the music. Scott also devoted his interests to I-O psychology and personnel management in particular. In 1903, Scott published, according to Ludy T. Benjamin (2007), the first book on I-O psychology, which was a compilation of his work on advertising. Scott's (1910) book on personnel management was one of the first works on the subject. According to Lynch (1968), Scott's concern was with the motivation and selection of workers, topics he believed were given scant research and attention previously. Scott argued that one of the principle concepts that managers should create should be loyalty. But Scott reasoned, unlike Taylorism, that loyalty needed more than fair wages and good working conditions. Anticipating Mayo, the human relations movement, and work on social exchange, Scott argued that managers should take a personal interest in their workers. Scott's greatest contribution to psychology would be his work for the United States, where he helped to mobilize three million men, in what would become the world's most powerful army. He was the one psychologist recognized by his government for his war efforts (Von Mayrhauser 1989).

Walter Van Dyke Bingham (Vinchur and Koppes 2007) was another psychologist who made important contributions to I-O psychology. Much like Scott, Bingham was an empire builder. He served as head of the Division of Applied Psychology at the Carnegie Institute of Technology, where he recruited Scott and others. According to Van De Water (1997, p. 490):

> Under Bingham's direction, the Applied Psychology Division at Carnegie Tech soon offered graduate degrees and drew corporate support for an additional Bureau of Salesmanship Research. This cooperative business-college venture was headed by Walter Dill Scott in 1916, making him the first to bear the label professor of applied psychology in the United States. Overall, the founding of Carnegie Tech opened the commercial sector as a source of funds for psychology research and spawned a new generation of students specializing in industrial psychology.

Bingham's primary contribution was to help develop aptitude testing for both business and the military, becoming one of the creators of the alpha and beta test (McGuire 1994). The emergence of the *Journal of Applied Psychology* illustrated the development of this field of study.

One last psychologist who warrants consideration as the first I-O psychologist was Morris Viteles, who was a University of Pennsylvania psychologist (Viteles 1967). Viteles was considered to be one of the prime and early examples of the practitioner-scholar model (Knopes 2014). Viteles's work with the Yellow Taxi Company is considered to be a classic in the field (Mahoney 2014). Viteles asked one of the prime questions of modern life: Who is a better driver, men or women? Viteles and his coauthor Helen Gardner found that both men and women believe that their sex is the better driver. But what Viteles and Gardner found (Mahoney 2014, p. 102) was that differences in driving ability were the result of "training, experience, and exposure to hazards may differ between men and women." Viteles's prime work would be his book on *Industrial Psychology* (1932). According to Mills (2012a, b, p. 41):

> Beginning almost immediately after its publication and continuing for some time, Viteles's text was considered to be the new bible in the field of industrial psychology explicitly discussing important issues that had been neglected by previous texts. For instance, he covered leadership, dissected training, and thoroughly highlighted the zeitgeist into which industrial psychology had emerged, including social and economic issues, which led in part to the concern with efficiency. Nevertheless, Viteles makes explicit in the text that he considered industrial psychology to have an equal responsibility toward the well-being and betterment of workers as it does toward efficiency. This outlook is reinforced by Viteles's later interest in humanistic psychological principles and their potential industrial applications.

Viteles followed this contribution with his 1953 *Motivation and Morale*, which talked about developments in motivation research and added the organizational side to I-O psychology.

World War I

World War I and its aftermath changed the world. In fact, it would be fair to say, the war ushered out the premodern world and produced the modern one. It was not the first modern war (the American Civil War holds that claim), nor was it entirely removed from the nineteenth century. World War I was a carnage on a scale never seen before – a vision of total war, whereby the populations of nations were targets as much soldiers in the field, where the war could be won or lost as much in the factory, farm, or home, as it could on the battlefield due to the requirements of modern warfare. The demands of creating modern armies almost from scratch, including training and development, astounded even the most astute observers. When Lord Kitchener stated that the war would last 3 years and require huge new armies, people felt he was crazy. Only after several years did people realize how wise he was, but only after a generation of men were killed. Some scholars have noted that if both the Central Powers and the Allies recognized the loss of life and treasure, they probably would not have fought in the first place.

According to David Kennedy (1980, vii), the War was "crucial for an understanding of modern American history." Many aspects of the New Deal, the war effort of World War II, and the birth of popular culture have its genesis during World War I. The war also provided America with an opportunity to claim world power, but America "had neither the skills, nor the wisdom, nor the compulsion of interest, to play that role as productively as Great Britain had played her part in the nineteenth century" (Kennedy 1980, p. 346). For academics, the war, as do all wars, provided ample opportunities and fertile testing grounds for social scientists (Kennedy 1980; Stagner 1981). John Dewey and the New Republic crowed that the war "provided an opportunity pregnant with 'social possibilities'" (Kennedy 1980, pp. 49–50). But the reverse was also true; to academics like Munsterberg, the historian Charles Beard, and the economist Scott Nearing, who produced "doubt-breeding complexities" (Kennedy 1980, p. 58), the war meant the end of their careers.

The demands of this war provided the field of psychology, just like scientific management, with many opportunities to prove its worth (Stagner 1981; Van De Water 1997). The war placed many demands that psychology could meet. One of those demands was for the need to train and develop soldiers, sailors, pilots, and workers. Other demands included handling soldiers, problems with shell shock, propaganda, trying to sell the war, and the need for sacrifice by soldiers. Many psychologists, like Walter Dill Scott and other entrepreneurial orientated scholars, jumped into the fray with great enthusiasm (Van De Water 1997). One of the principle outcomes of the war was that it provided social scientists with a real-life laboratory to test out various principles and theories. One of the reasons why the United States could be seen as an innovator on many of these issues was because it had 3 years to observe what worked and what did not in terms of building a military. In addition, American industry and universities had plenty of scholars ready to apply new ideas (Schaffer 1991).

The psychologists of other countries were not as readily deployed as American psychologists. For instance, in Great Britain, most of the psychologists (Myers, Rivers, McDougall, and Brown) worked in hospitals with shell-shocked patients, whose symptoms confounded neurologists (Shepard 2015). One of those psychologists was a young Elton Mayo (Traihair 1984). The irony was that Charles Spearman, the father of intelligence theory, spent most of his war guarding a depot in the north of England. According to Shepard, one of the reasons why psychologists were not deployed was that many of them had connections to Germany as students and felt tension between their allegiance to the Crown and their past. In Germany, Wundt and other academics signed a declaration refuting charges of barbarism. In addition, German psychologists provided aptitude tests to fliers, applied fatigue research to munitions workers, and educated the German population on diet restrictions. In France, most of the research was devoted to industrial work. Both Germany and France, despite their traditions, did not have any research as comprehensive as the United States in support of the war.

The United States noted that the British had lost a generation of its most skilled and talented during the first few years of the war. To put it bluntly, the British lost a generation of leaders in the mud of Flanders Fields (Kennedy 1980). The United States desired to avoid this outcome and so sought out ways to prevent its best and brightest from being cannon fodder. This elitist approach to society was par the course for many in the Progressive Era and should not surprise anyone (McGerr 2003). The theory that provided the answer to this problem was general mental ability. Charles Darwin's cousin Francis Galton noted that it was possible for offspring to pick up the traits of their parents (Boeree 2018). One of those traits, Galton believed, was mental ability – noting that (not surprising from a scion of a great science family) genius was hereditary. This idea was further advanced by Charles Spearman who proposed that a common factor, which he called g for general factor, was the driver of all activities regarding intelligence. Spearman based his ideas on the correlation between various mental activities that tended to be similar (Boeree 2018). Spearman's notion of g remains one of the major concepts in intelligence testing. Despite its high levels of prediction, it remains very controversial as it implies that there is a natural elite (Boeree 2018). Yet scholars, such as Lewis Terman and Alfred Binet (fathers of the Stanford-Binet IQ test), developed a test that measured intelligence (Benjamin 2007).

Whether this intelligence test captured the elusive g factor is one of debate. The problem was that despite the years of research, psychologists had only a rudimentary understanding of intelligence and little understanding of emotional stability (Benjafield 2007). According to Mayrhauser (1989), the test captured the loose definition of intelligence of the test makers. One of the questions on the alpha test was "Who was the author of *The Raven*?" (Kevles 1968). These are the types of questions that a college educated person would know, but not necessarily someone with a fourth-grade education. Compounding problems, Robert M. Yerkes's motives were more scientific than practical (Mayrhauser 1989). Worse than that, Yerkes's system would have required recruits to be interviewed for 10 min each (Van De Water 1997). This would have meant that the US military would have spent more time testing in this country than overseas fighting the Kaiser.

What is not up for debate is that many American psychologists recognized psychology's role in the war. Wars provide social scientists with real-world opportunities to apply and test various theories. Wars also provide professions with opportunities to create higher degrees of legitimacy. The net result was that many people at the time believed that the tests worked, even if both the military and psychologists overstated the predictions (Samelson 1977). Despite its prewar promise, psychology did not have an endowed laboratory, it did not attract the most able of researchers, and professors had low salaries and few opportunities to publish (Benjamin 2007). The War changed this (Schaffer 1991).

Human Relations: Barnard and Follett

The human relations movement also made a substantial addition to the burgeoning human resources movement. The contribution of the Mayo group was discussed in the previous chapter. In this section, I will discuss the contributions that both Mary Parker Follett and Chester Barnard made. Much like psychology, human relations focus was on the individual in a collective – more specifically, what makes cooperation possible. Both Follett and Barnard were connected to Harvard University through their undergraduate experience (Wren and Bedeian 2018). Follett was a social worker and an independent scholar who made many notable contributions to both political science, social thought, and management (Tonn 2003). Her work focused on the concept of conflict resolution and the need to create situations that produce winners on both sides. Barnard, an executive, focused on what makes cooperation possible and the difficulty of maintaining cooperation within an organization. Barnard's ideas would produce many positive concepts in management (Mahoney 2002). Follett did not receive her due until recently, but she has since been recognized for her role in producing better leadership outcomes that added a spiritual side to management (Phipps 2011). Both scholars are grouped together when discussed due to the similarity of their viewpoints, namely, individuals working together based on cooperation (Wren and Bedeian 2018). Their work illustrates two common viewpoints: people are revealed in their interactions with others, and bureaucracy alone cannot ensure agreement – fully illustrating the intellectual condition of the time period (Kloppenberg 1986).

Mary Parker Follett (1868–1933) was a Harvard-trained social worker, political philosopher, and management thinker who made numerous contributions to several fields (Tonn 2003). She has been called the "mother of scientific management," and some have called her the "mother of management" (Gibson et al. 2013). Even though Follett was initially ignored, she is now one of the important scholars of the field and a subject of books and articles (Schwarz 2015). As Wren and Bedeian (2018) have noted, although Follett did her work during the period of scientific management, she belonged mostly to the human relations movement. However, Follett's ideas about participation and creating a democratic society were very much germane to the Progressive Era, making her a contemporary of Taylor (Mattson 1998). In fact, many of her ideas, such as those on voluntary collectivism, would form parts of the liberal mood in 1918 (Kennedy 1980). One of the salient features to the progressive movement was to seek idealistic approaches to conflict resolution through community involvement and engagement (Mattson 1998). Although not the principle difference between the progressives and the later New Deal Liberals, progressives sought to change society through moral and social improvement, while the New Deal, being less idealistic, sought to use police power of the government to serve as a referee between business and labor (Hostadter 1956). This difference explained why many progressives had a difficult time supporting the New Deal (Graham 1967).

Follett was born to a wealthy but dysfunctional family. Her father was an alcoholic; her mother was sick and "incompetent, demanding, and alien to her needs" (Tonn 2003, p. 16). Follett mostly had to raise her brother due to the inability of her parents to do so. Academics became her method of escape. She encountered and impressed some of the best and brightest minds in both America and Great Britain when she was a student, including Albert Bushnell Hart, perhaps the greatest American historian of his generation (Gibson et al. 2013). She quickly validated the high opinion of her mentors. Her Radcliffe thesis on *the Speaker of the House* is, despite its publication over a century ago, the definitive statement of work on the subject (Wren and Bedeian 2018). However, the scope of her book was radically different than her later work in that it praised consolidation of power at the expense of the community (Mattson 1998). Although she was originally interested in becoming an academic, that route was largely closed due to her gender (Mattson 1998). Therefore, she became a social worker. Social work was one of the popular callings for people who were interested in promoting the welfare of the poor. Like many of her generation, including a great many women, such as Jane Addams, the way to promote social and moral improvement was through social work (Mattson 1998).

During her time as a social worker, Follett recognized the idea for community spaces as a means of producing cooperation and support. These experiences changed her life – making her recognize the benefit that collective social centers could heal the community and promote welfare. “In these largely volunteer organizations, operating with little or no authority, she realized that there was a need to rethink previously held concepts of authority, organization, leadership, and conflict resolution” (Wren 2005, p. 302). The combination of these events made her think of issues from a democratic perspective, different than her previous work. What Follett came to recognize was that power and authority should not be based on class or position, but on knowledge and facts, which she called the “law of the situation.” In addition, Follett recognized that individuals received their character through their interaction with others – a recognition of the idea of intersubjectivity – which is a different approach than rejection of the self for the benefit of the community (Wren and Bedeian 2018). Follett’s work as an example of the via *media* philosophers, focusing on the interaction between group and individual (Verstegen and Rutherford 2000). Therefore, the solution to both work and social problems is integration – a new way of looking at issues that would promote a new sense of unity (Armstrong 2002).

Gibson and coauthors note the influence of the German Idealist School of Philosophy, especially Fichte, on Follett’s work. They also note Follett’s embrace of Hegelian thought – especially the thesis, antithesis, and synthesis – which formed the basis of circular response (Gibson et al. 2013). Gestalt psychology influenced her beliefs in that it examined the human mind and behavior as whole (Cherry 2011). Yet Follett maintained her connection to empiricism and pragmatism through her idea of “interpenetration” in that it occurred during social meetings, whereby ideas are discussed and processed that both preserved and transformed them into a new unity (Mattson 1998). This approach would also promote pluralism and unity at the same time due to its basis on both idealism and empiricism. Unlike idealists, Follett did not believe in universal standards like justice or freedoms – the ends were too complex to promote an idealist approach. Yet she was an idealist in that she believed in integration and discussion (Mattson 1998). Her work also mirrored the work of Oliver Sheldon (Damart and Adam-Ledunois 2017).

In terms of business ideas, Follett anticipated many current ideas. Firstly, Pireto and Phipps (2014, p. 271) view her as an early example of a social entrepreneur because of her belief that work should have a “greater meaning” and “should serve a greater purpose.” Follett’s ideas about emergent leadership and group processes have been well documented over the years (Gibson et al. 2013). Her recognition that people could receive social benefits from work anticipated some of the findings of the Hawthorne studies and Mayo’s suggestions. Her ideas of multiple groups working together for a common goal were suggestive of the concepts related to the stakeholder view of the firm (Schilling 2000). McLarney and Shelley Rhyno (1999) view her works as adding to strategic management – similar to, but also different from, the works of Henry Mintzberg. Follett’s ideas were not just ahead of their time; they were also timeless.

Yet there were many downsides to the work of Mary Parker Follett, most of which is papered over by her legion of admirers in management. The idea of using a group to develop unity does have several drawbacks. Firstly, Follett’s idea of socialization did not allow the concept of apathy to reign (Mattson 1998). Applied to work, many people just show up for pay – nothing more and seek their social fulfillment elsewhere. Secondly, people cannot always create unity; in fact, there are certain aspects where discord would always happen (Mattson 1998). At the end of the day, labor and management have a divide that cannot be totally bridged. Even Mayo, who was as much of an idealist as Follett, had the same skepticism of bureaucracy and recognized that unity could not always be achieved (Homans 1949). Finally, the biggest issue was that democratic participation and coercive voluntarism can lead to the destruction of dissent (Capozzola 2008). Follett's participation could be seen as forced by the mob or the elite. One of the reasons why Munsterberg was silenced was because citizens sought unity of participation. Follett wrote that the group could produce "the only rights" that a person would have. As Capozzola (2008) wrote, Follett talked a lot about groups but not about mobs.

Chester Barnard (1886–1961) attended Harvard University (but did not graduate due to his lack of a laboratory science) and concentrated in economics. Barnard was a Massachusetts farm boy who did well, a scholarship student who paid his way through Harvard by running a dance band and selling pianos. After college, Barnard got a job at the American Telephone and Telegraph Company, rising to President of the New Jersey Bell company in 1927. During the course of his lifetime, he held many positions of influence, including directing the relief system of New Jersey during the Depression, serving as President of the United Service Organizations, working with David E. Lilienthal regarding nuclear power, serving as President for the Rockefeller Foundation, and serving as an advisor to President Franklin Roosevelt. For his efforts, Barnard won the Presidential Merit Award (Wren and Bedeian 2018).

Yet his greatest contribution was as a management thinker. Barnard, befitting a self-made man, was also a self-made scholar. Running a company that is a monopoly should leave one with a lot of downtime. Barnard filled it by reading the works of Pareto, Follett, Lewin, Max Weber, and Alfred North Whitehead (Wren and Bedeian 2018). His level of erudition impressed Harvard's imperious Lawrence J. Henderson, a biochemist, nascent management scholar, and advisor to President Lowell. Henderson had a deep respect and admiration for Pareto – viewing him as an antidote to socialism (Homans 1984). So Henderson formed the famous Harvard Pareto circle – which included a who's who of social scientists and intellectuals, including Talcott Parsons, Crane Brinton, George Homans, and Bernard DeVoto (Keller 1984). Barnard made a deep impression on Henderson with his knowledge of Pareto and based on that was invited to give the Lowell lectures, a series of lectures given by the Lowell Institute, which included some of the top scholars at the time: Arthur M. Schlesinger Jr., Joseph Schumpeter, and Elton Mayo.

Although Barnard did not publish much, what he did publish had a remarkable and lasting impact. In fact, his major work, *The Functions of the Executive*, was based on his Lowell lectures. His book *The Functions of the Executive*, is poorly written, jargon loaded, according to Paul DiMaggio (1995); featured large sections that were quaint and vacuous; and carried a whiff of elitism (Dunphy and Hoopes 2002). Although these criticisms are true, Barnard's book is also insightful, powerful, original, and passionate about management. It is also ethical (Strother 1976). Its passion has inspired scholars, students, and practitioners for 80 years, despite some calls that it is outdated. In short, it was the work of genius. Joseph Mahoney (2002, p. 160) sums it up best:

> I observe that Barnard's teachings uniquely inspire many students at all educational levels. Barnard's teachings breathe life into the discipline of management and infuse a feeling of renewed idealism in the typical undergraduate, a feeling of a renewed responsibility in the modern executive, and a sense of the importance of management in many current doctoral students.

The power of the book was that it would directly influence three distinct trends in the literature: the institutional school, the Carnegie school, and Human Relations (Mahoney 2002). It also influences the field of transaction cost economics, upper echelons, political approaches, and social exchange theory. It is little wonder why the book is considered to be the second most influential book published in management in the twentieth century. Andrews, Simon, Mahoney, Parrow, Mayo, Roethlisberger, Homans, Williamsons, Parsons, and Selznick have praised and/or were influenced by it (Singleton 2013). Its most direct influence was on Herbert Simon who used it to create a distinct viewpoint called the Barnard-Simon legacy (Mitchell and Scott 1988).

A whole book can be and has been written about Barnard's work (Wolf 1973, 1974; Scott 1992). For the purpose of this chapter, we will focus on one aspect. Much like Follett, Barnard was concerned with gaining cooperation from workers which, to him, was the point of the organization. Organizations are able to function because they are able to gain resources from its members. When an organization can no longer gain resources from its members, it will die. Barnard noted that, with the exception of the Catholic Church, all organizations die (Barnard 1938). The reason why they fail is that the effectiveness (goal attainment) and efficiency (cost reduction) are comprised due to a lack of cooperation (Barnard 1938). Barnard noted that the basis of the formal organization is cooperation, "formal organization is that kind of cooperation among men that is conscious, deliberate, purposeful," and that "successful cooperation in or by formal organizations is the abnormal, not the normal, condition." The reason why organizations failed at gaining cooperation was that too much attention was placed on government and religious organizations (Wren and Bedeian 2018).

Attention had been given to gaining cooperation from individual workers, but little attention was provided to gaining cooperation from groups of workers. Fayol had provided some template with his notions of purpose and esprit de corps, but his work had yet to be translated. Furthermore, while Fayol provided a language and vocabulary of management, Barnard would start developing a true science of management, providing an outline for the Carnegie School, especially the work of Herbert Simon. Barnard provided an understanding of what executives needed to do: establish and maintain a system of communication, secure essential services from other members, formulate organizational purposes and objectives, manage people, and make sure they do their jobs. One of the principal differences between Fayol and

Barnard was that Barnard's ideas supported his nature of cooperation and had more of a theoretical understanding. It was perhaps, for this reason, why Simon thought highly of Barnard, but little of Fayol.

Barnard sought to gain cooperation through various types of inducements. As Wren and Bedeian noted, Barnard understood that the "intensity and timing of willingness" to cooperate would wax and wane due to whether or not the worker was experiencing satisfaction or dissatisfaction. Therefore, various inducements, both material (financial) and immaterial (prestige, socialization), were needed to promote cooperation in the group. In words that would be similar to social exchange theorists, especially people using Homans's original theory, inducements were needed to offset the costs of being a member of the group (Homans 1958, 1961). In addition to the inducements, a common purpose is needed to unify the group, not the individual member's purpose, but something that could unite the group as a whole (Barnard 1938). This purpose should be supported through the use of incentives as well. Anticipating much of agency and expectancy theory, members needed to understand the mission of the organization, be able to achieve the organization goals, and have incentives to reduce individual desires.

Perhaps the most important part of Barnard's contribution has been the concept of the zone of indifference. The zone of indifference is important because it provides a limitation on the level of authority that managers possess over subordinates. It builds on ideas of Taylorism. One of the basic concepts behind Taylor's philosophy was the basic need for workers to accept management's role in determining pace and output. Barnard discussed under what conditions workers would be willing to accept management's prerogative. Much like later scholars who worked in transaction cost economics, such as Oliver Williamson and William Ouchi, Barnard understood that factors emerge within the organization that protect workers from management control and oversight (Mahoney 2002). There is a line from Barnard to Simon to Williamson and Ouchi regarding the difficult nature of managerial oversight. But Barnard also recognized something important – that the way to gain worker cooperation was to make them indifferent to managerial commands (Wren and Bedeian 2018). Once indifferent, the natural tendency for people to carry out orders will take them the rest of the way. This was an important observation.

One last important observation needs to be made about Barnard's work and, by extension, the work of the Human Relations scholars. There have been criticisms over the years, mentioned by various scholars, that the work of the human relations scholars has downplayed the role and importance of monetary reasons for production and by work (Locke 1982). Barnard has not escaped this criticism. James Hoopes (2002) has taken aim at Barnard by noting that Barnard let ideology get the better of him. Hoopes (2002, p. 1017) wrote about Barnard's respect and courtesy to resolve the riot, that this idea was an "undeniably important contribution to management knowledge," but that Barnard "underestimated older techniques" including power and money to resolve problems. These attitudes ignore what was one of the key insights gathered from the human relations movement, namely, the idea that monetary issues sometimes have little to do with monetary issues (Drucker 1946). At the heart, the problem is a lack of trust between both sides. Unions struck during World War II – when their aims had been socialized by the government, when everyone was employed, and when wages and perks were high – simply because they did not trust management (Kennedy 1999). Scholars have also confirmed Barnard's arguments in that interpersonal skills are key when handling a difficult issue (Greenberg 1993).

Welfare Capitalism and the New Deal

The labor question had dominated American/British/Commonwealth thought over the period from 1880 to 1945. Unionized and coordinated labor meant strikes, destruction, and war between labor and capital. Robber barons, such as Henry Clay Frick, lived in fear of assassination by radical labor leaders. Frick's would-be assassin received 21 years, in a quick trial, but only served 14. This did little to solve concerns on the part of management. Even those leaders who were considered benevolent faced various strikes and issues (Brandes 1976). Turnover was high as was destruction of property (Tone 1997). The number of police businesses employed in Pennsylvania was more than the state police, by a factor of 20 to 1. Business built fortresses, armed police, built armored cars, and employed criminals to keep workers in line. Murder and violence were not uncommon at the workplace. Between 1880 and 1900, 23,000 strikes occurred, or a new strike every 3 days (Brandes 1976). These strikes tended to be short and brief – real working-class solidarity was something that would not come until the future.

Despite the increasing wealth of the country, many reformers, businessmen, and politicians were deeply concerned that the new technocratic structure would not weld with the US traditions of small government and liberalism. Despite this new technocratic, the United States still remained, during the Gilded Age, a series of isolated communities (Wiebe 1967). One of the legacies of the Civil War was a creation of a unified nation, but this would take time and energy (White 2017). As Robert Wiebe wrote (1967, pp. 42–43), "Americans in a basic sense no longer knew who or what they were. The setting had altered beyond their power to understand it, and within an alien context they had lost themselves." Labor remained too ethnically and ideologically divided to launch a socialist movement (Weinsetein 1967). Likewise, increasing immigration meant that workers would maintain old world rivalries that would limit opportunities for collective action. Yet the middle class, despite its doubts and anxieties, launched a series of reforms to promote rationalization of American life.

Businessmen were one of the leaders of this new reform movement (Wiebe 1988). One of their prime contributions to this was called welfare work or, as it is more commonly known, welfare capitalism. Welfare capitalism was a series of programs that businesses took to reform the workplace (Brandes 1976). Companies provided housing, sports and social opportunities, health and welfare benefits, cooking classes, newspapers/magazines, and language and education classes. Workers at the National Cash Register Company could play tennis, golf, or baseball in the company park. Welfare capitalism also witnessed wage incentive plans, benefit programs, and offered stock ownership in the company and profit-sharing. US Steel had 19 pools in which workers could swim. The Hawthorne plant had its own pageant which did not end until the 1980s. The educational systems were vast. The Colorado Fuel and Iron Company provided teachers for its schools. Some companies offered high wages and sought to turn their workers into consumers. IBM, Kodak, and especially Ford were considered high points of ethical capitalism.

Scholars have remained divided as to what the business leaders' motivations were in offering welfare capitalism programs. Irving Bernstein, one of the first historians to cover the question, argued that managers did so to prevent a unionized workforce. For Bernstein, welfare capitalism was the velvet glove that hid the iron fist. Subsequent scholars attacked this assertion noting the benefits of the system. Stuart Brandes argued that managers offered these programs due to the fact that they were a better alternative to police forces and that managers' primary concern was profit. Andrea Tone argues that it was the basic paternalism of managers and capitalism who wanted to protect workers and their families – noting, based on the work of Theda Skocpol (1992), that much of the early welfare state was designed to protect mothers and children. Business revisionists, such as Allan Nevins and Ernest Hill, have argued that welfare capitalism provided real benefits to workers.

The real questions are as follows: Did welfare capitalism work? Why did it emerge? Why did it end? As to whether welfare capitalism worked, the answers remain unknown (Brandes 1976). The polling evidence suggest that workers were lukewarm about welfare capitalism, preferring that they be paid a bonus or extra wages. Yet the labor violence that marked much of the industrial period all but ended in the 1920s (Meyer 1981; Kennedy 1999). This is suggested by the rise of conservative politics by both the Democrats and Republicans. The workers were relatively happy during this period. Scholars have been debating the economy of the 1920s since the era of Keynes, but there still seems to be a consensus, that at least for a short period, the economy of the 1920s was sound (Kennedy 1999). It is difficult to claim that workers were desperate – especially with the emergence of the telephone, radio, movies, and modern sports. Turnover, especially at Ford, declined (Meyer 1981).

Brandes notes that the examination of welfare capitalism has ignored what became known as the "organizational synthesis." Scholars, such as Robert Wiebe and Louis Galambos, have argued that the most salient factor of post-Civil War America was the emergence of modern bureaucratic organizations. Yet the emergence of large government and organized labor, unlike the modern corporation, was delayed due to several factors. Namely, the US government remained federalized – meaning that there were vast differences between states on questions related to welfare and labor. Not until the New Deal, and especially World War II, did questions of labor and welfare become federalized. Labor had a difficult time uniting on any particular issue. According to Lizabeth Cohen (1990, p. 6), "isolated in local neighborhoods and fragmented by ethnicity and race workers proved incapable of mounting the unified action necessary for success." This meant that Italian workers would hold their Polish and Hungarian counterparts with a sense of deep skepticism and hostility; and vice versa. In addition, Samuel Gompers sought to only unionize skilled labor, rather than unskilled labor. Finally, radical reformers, such as Bill Heyward, head of the International Workers of the World, were probably too radical for most workers who dreamed about earning wealth and remained wedded to conservative social views. As Cohen wrote (1990, p. 43), a "successful...strike in the future would require a work force more capable of coordinating on a national level and more unified ethnically and racially."

Therefore, welfare capitalism was the best solution, perhaps the only solution, which could meet the varying demands placed on society. It was a compromise, one that reflected American concerns about both labor and consolidation of power and one that reflected both a concern for legitimate worker issues and maintained the respect for businessmen and private enterprise. It also reflected general concerns over paternalism that impacted American leaders during the time period – whether it was reflected in "Americanizing" immigrants, protecting widows with legitimate children, or searching for ways to improve morals in society. The system also had the benefit in that it allowed workers to have a limited amount of empowerment that enabled them to gain limited positive outcomes (Meyer 1981).

That is the real irony of welfare capitalism. It did succeed in socializing workers and Americanizing them. It is also succeeding in convincing workers that they had the right to certain outcomes such as bonus work, overtime, and social benefits. Workers were willing to abide by the structure as long as they were paid (Meyer 1981). When the Depression hit, welfare capitalism ended, and workers unionized on an enormous scale. Welfare capitalism also produced Americanization that allowed for workers to unionize and take collective action. Its own successes fueled its eventual demise. As Cohen (1990, p. 211) wrote, "ethnic provincialism was breaking down at the workplace, as it was in the real world." These attitudes would be aided by the rise of the radio and consumerism (especially in the 1930s), the Catholic Church, and the emergence of Prohibition, which greatly offended ethnic America. Rather than being seen as an enlightened company, workers viewed Hawthorne with a hostile eye.

Yet welfare capitalism did not die. The politics of the New Era (1920s) still remained a template for business and worker relationships. In many ways, the New Deal solidified these relationships into collective bargaining, rather than cooperation like Mary Parker Follett and Elton Mayo would have preferred. Yet workers still looked to their companies, rather than the government, as a source of welfare. The American experience during World War II furthered these relationships. Due to war-imposed price controls, American companies had to institute healthcare plans to gain workers to deal with labor shortages. This was unlike the model in Western Europe. Great Britain, the country America is usually compared to, saw the emergence of the welfare state that included a national healthcare system. The American attempt to create a similar model went down to ignominious defeat. Today, US corporations offer healthcare, social opportunities, education (especially in terms of healthcare), and stock options. Welfare capitalism did not die – it merely was transformed.

Conclusion

Arthur Bedeian argued for the study of history to improve management's present and future. He argued that professional maturity is a gift. Despite the strength of his arguments, and his high position in management, scholars have not heard his message. Management scholars should be attuned to his message. As we can see from this chapter, the early days of human resource management still continue to play a deep role. Some scholars, taking what is called the historic turn of the firm, have argued that management is preoccupied with the period of 1880–1940 (Cummings et al. 2017). These same scholars, despite the aptness of their observation, do not pursue the question as to why so much attention is paid to this time period. When they do, they argue that scholars have linked management's roots to Taylorism, ignoring uncomfortable truths, such as the role of management in slavery. However, as we can see, there are two reasons why management starts during this period. One was the emergence of psychology, based on the transformation of knowledge that inspired the progressive and social democratic movement. While management was embraced by business as a solution, it should not lessen its progressive nature. Management matched with other elements of progressivism in that it sought protection of private property and basic protection of the weak. Both management and progressivism had paternalism and democracy at its roots. The second reason is that we continue to talk about these issues in modern business. As was noted before, the Gilbreths' ideas formed the basis of Toyota's work culture; Scott's ideas of respect of the relationship between management to worker formed the basis of leader member exchange; and Barnard's notions of honesty and respect formed the basis of justice. The early iteration of human resource management still provides the basis for today's practice. In conclusion, management was a modernist attempt to promote economic and social well-being that emerged at the same time as did other social sciences.

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To the Tavistock Institute: British Management in the Early Twentieth Century

25

Jeffrey Muldoon

Contents

Abstract

The purpose of this chapter is to discuss management in Great Britain from the late nineteenth to early twentieth century. The principle question that this chapter is asking is why, despite the large lead in the first industrial revolution, did the British fail to develop a theory of management. Emphasis is provided to both British corporate structure, culture, and educational system. The second question the chapter asks is how the British interacted with American management concepts. The final question is what lessons do the British example provides for modern America. The contention of the paper is that the inability to develop management helped to accelerate British their decline. What can the British experience teach us?

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Introduction

At Waterloo, astride his horse, Copenhagen, the Duke of Wellington, defeated the world's conqueror, Napoleon, settling the Napoleonic Wars and making Great Britain the undisputed power in the world (Cannadine 2017). Wellington had not just beaten Napoleon; he ended the largest threat to the British Empire, France, and had settled the "European problem" for all time. Despite the cost, loss of the American colonies, and the War of 1812, Britain bravely stood up to Napoleon, at times alone, in a process producing numerous heroes and creating the largest empire in history. They had the largest economy, the largest navy, and an excellent army. They were the world's creditor and, in the following years, would create miracles and advancements in science, literature, business, and the arts. Their largest contribution was the scientific and business advance, the Industrial Revolution, which lifted humanity from depravation. All the more remarkable was that the British Isles is a small island, not much larger than the states of New York, Pennsylvania, and Ohio combined, with a population smaller than France, Russia, and the Germany states separately. The nineteenth century was truly the British century, and greater heights were to be expected.

Yet the twentieth century would not be Britain's. Rudyard Kipling's poem "Recessional" turned out to be true, rather than just a warning – Britain's power was, like Nineveh and Tyre, one of the past. In fact, the twentieth century could be dubbed the anti-British century, as Britain lost an empire and its position in finance and industry, its military battered, and became, for lack of a better term, a client state of the United States (Barnett 1972). In fact, the United States had so little fear of Britain as a great power that the United States provided Britain with nuclear weapons. This could be a testimony to the "special relationship," but others, such as Corelli Barnett, have scoffed at this explanation (Barnett 1982). This collapse of British power has had many explanations: the costly and destructive wars with Germany, culture, lack of industrial investment, lack of a strong state, overextension, and geography.

Although there is a tremendous amount of truth to the explanations above, one particular issue has been ignored: the lack of British support for management. Management, not natural resources, is the path to wealth, comfort, and power (Chandler 1977). As discussed in the chapter on nineteenth-century management, the British had elements of a systematic management approach from the time of Robert Owen – it never developed managers to the degree needed for industry support. This would consist of both middle managers and entrepreneurial managers (Chandler 1990; Coleman 1973). In fact, British businessmen, with the exception of those in finance, were more concerned with becoming gentlemen and landed gentry than they were in becoming world titans (Wiener 1981). John D. Rockefeller's overriding motivation was to become the wealthiest man and greatest oil baron in the world, Marcus Samuel, the lord mayor of London. This lack of development can be blamed on numerous factors, including culture and education.

This image belies the picture of British industry being ingenious and innovative. The British developed the airplane, the dreadnaught, jet engines, and radar. Rolls Royce produced the world's finest engines. Marcus Samuel built the world's first oil tanker, *the Murex*. Without these innovations, the free world would have collapsed to either Imperial or Nazi Germany. The best chance that Hitler had at winning the war, according to the John Lukacs, was the "duel" between Hitler and Churchill (Lukacs 1991). Although Hitler seemed to have the best weapons, this perception was false as British planes and radar made the difference. Barnett, one of the critics of British war planning, actually argued that this reality is true. But he also noted, as historians such Arthur Herman (2013) and William O'Neill (1993) have pointed out, that without American aid, the war would have been lost. The British lacked the production capabilities and food supplies to endure. True, the British had excellent weapons – they just did not have enough. My contention is that British management never developed the mass production capacities needed due to culture, education, and the class system.

This chapter is written against the back drop of British decline and the inability to craft management having modern elements. Modern management in the United States was based on expertise, knowledge, enterprise, and size (Chandler 1977, 1990). The United States produced companies, such as the successors of Standard Oil, General Motors, General Electric, Ford, and Boeing, which would become symbols of the twentieth-century capitalism. Through various business schools and the emergence of salaried managers, the United States was fully able to take advantages of modern industrialization in a way that other countries could not (Herman 2013). The British did not develop a modern notion of management, preferring premodern notions of smaller, family knit corporations (Chandler 1990; Wilson and Thomson 2006). As several scholars have pointed out, the British focus was on different issues than just pure economic efficiency, as the Americans were (Thomas 1978). Rather, the British focus was on social responsibility and ethics, arguing that management should be more qualitative than quantitative. It was not until later in the twentieth century that British management became modern.

I seek to discuss several topics in this chapter: the comparative lack of management development and education, how the "public school culture" shaped these ideals, how the lack of management stalled British production and caused capital to flee elsewhere, the attempts of the British to adopt scientific management, the emergence of the "ethical" British management, and the work of Lyndall Urwick, concluding with the emergence of the Tavistock Institute and lessons for America. My contention is that the British embrace of "ethical" management combined aspects of premodernity and modernity that limited the growth of industry, as well as limiting the industrial and military power of Great Britain. My contention is that the United States faces a similar choice in that we are combining modernity and postmodernity that could threaten America's current economic and military might.

British Management 1870 to 1940: A Snapshot

There have been several major works on British management written over the years (Child 2011; Thomas 1978; Wilson and Thomson 2006). Through these works, a picture of British management in which certain crucial characteristics emerge. Firstly, as Sidney Pollard (1965) argues, by 1850, the British owner-manager model had become dominant and generated an unwillingness to hire and promote salaried managers, in the process creating many family owned and controlled businesses. These family owned businesses produced a different set of agency problems, namely, the pressure to aid family members (Bendickson et al. 2016a, b). Rather than increase wealth, family owners/managers sought to provide for the family, even those that could be considered "bad" children (Barnett 1972). Therefore, family owned businesses had little pressure to improve in the market since, as family owned firms, they were immune to shareholder pressure to modernize. In fact, given the levels of intermarriage between owners of firms, market stabilization occurred through personal relationships (Chandler 1990). Families still made money selling in Britain and the Imperial markets. The business class felt no need to produce the type of wealth of the Rockefellers and other robber barons.

Secondly, the British Empire created another set of problems (Heffer 2017; Searle 2004). Given the lack of management, the British had a difficult time competing on the international scene, producing a trade deficit (Searle 2004). The trade deficit was an ongoing issue for Great Britain regarding visible goods. However, the picture on invisible goods was quite different. Financial resources, such as investments and insurance, in addition to the merchant fleet, made the difference and put the British in the black. That being said, while London was enriched, whether this wealth spread throughout the country remains a question (Wiener 1981). In fact, this different level of prosperity caused some social and economic problems (Heffer 2017; Searle 2004). Furthermore, British dependencies, domains, and territories helped their industry. India was a great benefit to the Lancaster textile market. The white settlements, such as Australia, Canada, Cape Colony, Natal, and New Zealand, played a crucial role in terms of supporting British industry. Therefore, the Empire also provided a safety net for Great Britain, which sought to use their Empire as a trade zone, in what Joseph Chamberlain would call "imperial" preference (Searle 2004). This provided a soft market place for British companies, which insulated them for greater competition (Searle 2004).

Thirdly, British industries remained consistently small, even in industries where they should have vertically integrated, such as steel and automobile (Chandler 1990). There was not a British analogue for US Steel, General Motors, or Ford. Also, the British were unwilling to move industries from where they had settled (Coleman 1987; Wilson and Thomson 2006). Part of the problem was that British invested abroad. From an Imperial standpoint, they invested in the wrong country; Britain's potential rival, the United States, was the major source of British investment (Searle 2004). The vast amount of economic growth the United States experienced after the Civil War would not have been possible without British capital.

Fourthly, British industries remained small due to a lack of investment. For this reason, in the large capital-intensive industries, such as Dunlop, glass (Pilkington), explosives (Nobel), and chemicals (Courtaulds), growth was financed from retained earnings, rather than private equity. The reason why capital was spent elsewhere was the divide between the industrial north and Banking London (Wiener 1981). The division between finance and industry promoted a deep divide in the capitalistic class. British banks did not support the type of innovation needed due to the failure of the City of Glasgow Bank. London banks were no longer willing to support long-term national projects. The net result, according to W. P. Kennedy, was that the system emerged to maintain the gains of the first industrial revolution, creating a sustainable rather than a profit maximizing culture (Kennedy 1976). Businessmen drifted to finance, rather than production. Finance was more respected. The American system was the opposite of the British. Its industrial heroes were figures such as Henry Ford rather than bankers such J. P. Morgan. The British equivalent, William Morris, was scorned (Wiener 1981).

Fifthly, another reason why the British did not have to develop the size and scope of American business had a great deal to do with the size and density of the British population and the size of Great Britain (Chandler 1990). With a smaller country and a more dense population than America, the British did not feel the pressure to create corporate structures that could handle business across a continent. The shift of Great Britain to an industrial state was accomplished more easily than in the United States. For example, the British railroad industry became very efficient in hauling freight. Yet the continental size of the United States forced challenges in the United States that required innovative solutions. For example, while department stores developed along similar lines in Great Britain and the United States, there was no equivalent to Sears or Montgomery Ward, both of which were mail houses designed to reach the far flung farmer.

Sixthly, the manager was not esteemed or desired. Managers were considered not much more than clerks, whose status during the nineteenth century was declining (Wilson and Thomson 2006). Although the manager's relative power increased due to the emergence of the railroads, they were still considered servants, rather than members of an important profession. In addition, there were managers hired based on their technical ability, but there were too few to create a profession. Management's associate field, engineering, was not in high demand (Barnett 1986). Wilson and Thomson (2006) point to four factors that limited the development of professional management. First, contemporary ideas about proprietorial rights; second, since managers worked on the floor, they had low social status; third, there was little in the way of training; and fourth, the externalization of many functions. Another major difference between the British and the United States was that the British capitalistic class consisted of gentlemen – owners (and their sons) and players who were salaried managers. According to Donald Coleman (1973), the goal of the players was to become gentlemen, rather than becoming a distinct class. The education and training was very different. The gentlemen went to Oxbridge; the players were trained on the job.

Gentlemen did not compete. The mentality of competition seemed to be ignored by British elite and managers. One could see some of the early elements of Mayoism in the work of some of the British management thinkers. One such thinker, R. B. Haldane, held the belief that competition was dangerous; it promoted destruction and could drive companies out of business and lower wages (Thomans 1978; Wiener 1981). When Germany began to surpass Great Britain around 1900, many British commentators felt that it was due to the unfair business practices that the Germans employed (Bell 1996). Such an attitude is to be expected in that the British believed that managerial ability was inherited and bred. Nepotism dominated hiring as salaried managers were not trusted (Casson 1997).

These factors lead Chandler (1990) to conclude that the British failed to make the essential threefold investment in manufacturing, marketing, and management. When large investments were made, they were sufficient to produce economies of scale, but not to fully utilize them. Given the small levels of investment compared to the United States, different organizational structures emerged. The British had a greater focus on family owned and run, rather than publicly owned and run business. This notable limitation prevented the British from developing further capabilities. Given the low levels of investment, the British focused more on industry cooperation from marriage between different families in the same industry. Yet despite this merger, corporate units still maintained businesses as discrete operations with little rationalization. Rather than possessing market capitalism, the British had what Chandler referred to as personal capitalism. Business was performed on the basis of personal, rather than market or institutional arrangements. The owner/manager kept a stronger hand in the implementation of strategy since they had direct contact with workers and first-line and middle managers.

Therefore, British businesses offered a smaller line of products and had higher degrees of backward integration than did American firms (Chandler 1990). For the most part, British firms focused on branded and packaged goods, such as candies, where they had an excellent reputation (Coleman 1987). Nevertheless, with the exception of Guinness, most businesses did not have modern notions of control. The crucial factor in mass production was control. Ford's system would not have worked in Britain. His British equivalent, William Morris, lacked control systems. These patterns were strengthened by what Wilson and Thomson call the path-dependent nature of British industry. Namely, the lack of major upheaval meant the patterns set in the first phase of the industrial revolution remained fixed. The ruling families had little reason to adopt to new structures and ways of doing things. Pollard argues that the British devoted their time and energy into fields in which they had an early start (Pollard 1965, 1989). Furthermore, British managers lacked the ability to be entrepreneurial (Landes 1969). Some of the most prominent British businessmen, such as Cadbury and Rowntree, came from the chocolate industry, a source of enjoyment but hardly a source of innovation.

The Establishment

The British subjects who crafted the first British Empire in the seventeenth and eighteenth centuries were men (and women) who were cold and calculating, with a tough-minded focus on the outcomes, whether it was power or profit (Barnett 1972). Perhaps the best example of this trend was Churchill's great ancestor, John Churchill, the First Duke of Marlborough (Holmes 2008). Churchill emerged from poverty due to his connection to his patron, James, the Duke of York, fated to be the infamous James II. Churchill served as a soldier, then a general, and was one of the commanders who crushed the Monmouth Rebellion. However, Marlborough soon turned on his King and benefactor, defecting to William and Mary. Marlborough kept up a deep correspondence with the deposed king, as well as the Kings in Hanover, in terms of making sure that he was on favorable side. In addition, his wife Sarah used her relationship with Queen Anne to maintain her husband's grasp on power. Marlborough's behavior was very typical: aggressive, opportunistic, and profit seeking. According to Barnett, it was this attitude that laid the foundations for British supremacy.

Yet during the Georgian period, there was an increased discussion of high-mindedness that began to pervade politics (Barnett 1972). Some early examples of this would be Edmund Burke and Pitt the Elder's denunciation of the war on the American colonies. It would receive further sentiment during the Napoleonic Wars. After Waterloo, both Whig and Tory went out of their way to praise Wellington, until Wellington was attacked for returning paintings that Napoleon's forces had stolen (Muir 2014). The first source of this high-mindedness was Romanticism, which was discussed in the chapter on Owen. These attitudes were also reinforced by Methodism and other evangelical sects, which had entered into the Church of England (Barnett 1972). What developed was a viewpoint that believed in brotherly love, rather than business or profit. These viewpoints were also strengthened by the involvement of Prince Albert, who sought to improve welfare.

These viewpoints were strengthened in public schools, which sought less to educate but more to develop "Christian gentlemen" (Barnett 1972). One of the primary goals of these public schools was to produce administrators, generals, and politicians to handle Britain's large empire and the demands that empire imposed on the country. This style imposed a stifling atmosphere that required conformity, obedience, and submission to authority. Every aspect of student life was regulated – for rebels, such as Winston Churchill, punishment and potential exclusion from fellow students would follow. These views intermingled with aristocrats, such as Churchill (grandson of a Duke) and the middle class as well, taming the arriviste qualities (Roberts 2018).

Education and Culture

The education system was a major part of the problem. There was no national education system (Barnett 1972), and it lacked a coherent bridge between school and college. Brits usually stopped education around elementary school – despite the fact that America had made education compulsory in the North before the Civil War (Howe 2007; McPherson 1988). The British system failed the working classes, who remained ignorant due to a lack of education and the lower middle classes, who usually entered into employment at the local government level, abandoning trade jobs or college in general, where they could rise (Barnett 1972). In my opinion, the picture that George Orwell drew in 1984 of an ignorant working class and frustrated lower middle class has its realities in the England Orwell grew up in.

Job training, the hallmark of Taylorism, was nonexistent, as the British preferred practical men who learned on the job (Barnett 1972). Likewise, there was comparatively little in the way of scientific education in Great Britain, preferring the craftwork of the "practical" man of the first industrial revolution. Increasingly, the work of production was shifting from the practical man to the scientific man in the United States. This occurred in Great Britain as well. Although it was a practical man, Henry Bessemer, that made modern steel production possible, it was based on the metallurgist Robert Mushet's advice. Before 1884, there was no university department in metallurgy, and biochemistry fared just as poorly. Yet the British remained skeptical of new engineering techniques such as Taylorism. When a Yorkshire iron maker received a copy of the Principles of Scientific Management from Taylor, he responded by sending a book by the Latin poet Horace (Barnett 1972).

Human resources provided another major problem at both worker and manager positions. In terms of the worker, despite the picture drawn by middle-class intellectuals, the working class remained largely uneducated, radical, and had a high distrust of management (Thompson 1963). The other prevalent characteristic was the pressure to conform (Hoggart 1957). Rather than viewing themselves as poorer than the middle class, they considered themselves apart – distinct (Thompson 1963). Attempts to climb out or produce more were deemed as unnecessary – the only interaction with management was to fight over payments. At home, as Hoggart (1957) noted, incompetent home management created improvident spending and poor food selection. Despite the fact families would often struggle for food, there was always enough money for beer, cigarettes, and the occasional bet. The lack of desire to rise was very different than in the United States, where workers consistently strove to rise, often lacking a strong working class spirit.

Education for the upper class probably was worse; it trained its students in the classics to produce gentlemen, rather than the science of application (Barnett 1972). The education system produced, according to Barnett, a ruling class of essay writers, rather than problem solvers. The principle drive of college education was to prepare character, not to train students either for careers in science or other subjects, such as foreign languages or history. Greek was a requirement at Cambridge until 1919 and at Oxford until 1920. The role of Greek was so strong at Cambridge that they lost a chance for a program in naval architecture when the donor found out that students would have to take ancient Greek. Compounding the problem was the high degree of institutional isomorphism in the British education system. The "red brick" institutions, created in part to challenge the dominance of Oxbridge, adopted some of the classical core of their rivals. Part of this was due to the fact, as new institutions, they had to conform to certain practices dictated by London University's external examination policy.

These problems were not common in America. The American University model was radically different. Despite the dominance of the Ivy League, there were consistent movements to modernize universities. The Americans were an early adopter of the German University model, stressing research and technical training (Novick 1988). Johns Hopkins, Stanford, and the New University of Chicago were founded on the premise of the German model and the production of doctorates. The Morrill Act produced land grant institutions throughout the land (McPherson 1988). The time period saw the emergence of technical schools such as the Massachusetts Institute of Technology (MIT) and the California Institute of Technology (Cal Tech). Charles W. Eliot created the elective system and helped to build the Harvard Business School which, at one point, sought to hire Taylor. Woodrow Wilson, although an opponent of the German system, sought to move Princeton from a Presbyterian institution filled with potential ministers and the sons of affluence, to a meritocratic institution, where excellence in education was stressed.

The picture of the American working environment was completely different. Firstly, America never had any experience with a powerful landed gentry – even during the revolution (Genovese 1974; Wood 1992). To be sure, plantation owners had large business concerns, but comparatively speaking, they were poorer and less influential than their British counterparts. In addition, although landowners dominated the South, they were not the major entrepreneurs of the North. Also, America had a tradition of education – even the very poor in the frontier could read, and illiteracy was looked down upon (McPherson 1988). American working class participated in political culture and then later mass culture. American middle classes also used business to promote middle-class values. One of the business methods was welfare capitalism, a massive series of education, training, and social techniques that were designed to promote middle-class values and Americanization. Those who strove to improve were regarded positively – even on the frontier. Abraham Lincoln gained as much respect for his self-education and becoming a lawyer as he did for his wrestling ability.

Mostly, the difference between America and Britain was political and cultural. Both the North and South had voting for white males, regardless of property, before the Civil War. This meant that the working class had a deep connection to the system, a belief that they could rise above poverty and become President. Many of the founding fathers and the succeeding generations came from poverty-stricken backgrounds. Andrew Jackson, Abraham Lincoln, and Andrew Johnson all came from backgrounds of great poverty and all became President. It was not until Ramsay McDonald that the British had someone from a true working class or poor background. American business, educational system, and political leadership came from diverse backgrounds. Politically, the focus of America was the creation or protection of markets. In fact, until the New Deal, political movements sought to free markets or create them (Brinkley 1995, 1998). And even the New Deal sought to create new markets throughout the South and Midwest (Brinkley Brinkley 1995, 1998).

The historian Martin Wiener's work (1981) on English culture remains one of the most influential and controversial works on England. The book was a response to and an influence on the Thatcher government. Keith Joseph claimed it was the bible of the Thatcher government. The book has left a deep mark on some works; influences can be seen with Alfred Chandler, Barnett, and Sidney Pollard, and it has also been widely criticized by Noel Annan and David Edgerton. The purpose of the book was to provide an overview of British culture during the time period where the British went from the top economy to about 14th overall, a major decline. In essence, what Wiener seeks to provide is an explanation for what Barnett called the "English disease." The explanation that Wiener provides is cultural, one of the difficult things that an intellectual historian can make. Wiener's contention is that the British underplayed economic development, showing a focus more on social issues. Wiener does not provide statistics of industry, but he does cite examples of culture and statements on business from politicians and intellectuals.

Wiener noted that economic explanations for British decline do not explain the full process. His explanation is that the British have never felt comfortable with progress. There has been a deep romantic attachment to the English countryside, one that is reflected in various types of work literature. He goes further and argues that this approach is mostly British in character. Attachment to a bucolic existence at the expense of economic progress was also notably absent in other British colonies such as Canada, Australia, and New Zealand. Britain's most successful colony, the United States, never exhibited those beliefs. In fact, despite the American dream of the yeoman farmer, the capitalistic and acquisitive nature of the American yeoman and worker was apparent from the start, to the point where even political movements, such as the Jacksonian Democrats were, in the words of Richard Hofstadter, incipient capitalists (Hofstadter 1948). For American politicians, Democrat and Republican, liberal and conservative, the primary drive, until recently, was production for the purpose of acquisition. America is a nation of consumers. Whereas the British mentality, expressed by Sir Stafford Cripps and others, was against materialism.

Part of the English problem was that unlike America, their emergence from premodern to modernity was accomplished peacefully. America's was accomplished in a violent civil war, which destroyed not only the slaveholding class but also the old divided United States (White 2017). The industry's need to produce ended the vision of the small laboring class, forcing size upon American corporations. Great Britain saw tremendous transformation with very little violence, comparatively speaking. In fact, the new industrialized order grew without any marked detrimental effect on the old land owning system, which remained dominant politically, socially, and economically. In fact, the English land owners were more powerful and influential than the Prussian Junkers in Bismarck's Germany (Wiener 1981). In addition, the old aristocracy was more willing to accept industrialists than the Germans. The short timeframe of industrialization in Germany had less time to accept the new class. The net result was that there was no bourgeois overthrow of the old order – there was no equivalent to Abraham Lincoln. What the British bourgeois faced was a strong, insular, and richer aristocracy. This aristocracy was capitalist, but according to Wiener, they were rentier capitalistic, not entrepreneurial.

What made the Industrial Revolution happen? One of the principle arguments was that it was the transformation of culture that started in Europe and eventually spread over the world. This shift in culture placed an emphasis on what Deidre McCloskey (2006, 2010) referred to as "Bourgeois Virtue." Where the more the bourgeois were valued, the more likely the country was to embrace capitalism. The shift came from institutions and culture-respecting self-improvement. Take Lincoln, he was widely respected and admired – held up as the greatest American, because he raised himself from a log cabin to the White House. Even his political campaign highlighted his rise. I imagine if he were British, some would have dubbed him an upstart.

The question was, which model of capitalism would dominate, rentier or bourgeois? The answer was that new middle classes and the new wealthy would be absorbed into the old aristocracy. Even outsiders, such as the Jewish Marcus Samuel, could be raised to a peerage. In Samuel's case, he became the Viscount Bearsted, and his goal was to become Lord Mayor of London. Other industrialists found themselves embraced by the establishment and indoctrinated into the religious and social outlook of the old. This is what Wiener would dub as "the gentrification of the industrialist."

David Edgerton (1991, 1996, 2005) has launched a small cottage industry critical of the work of Wiener, Barnett, Chandler, and Pollard. Edgerton notes that the British industry did not decline as much as critics have noted. The British did not get surpassed as an economic power per capita by its rivals (Germany, France, Italy, and Japan) until the 1960s. The concept of relative decline fails to note that the British were far more productive and wealthy at a later date. He attacked the notion that innovation is the source of technological growth. He also notes the British developed the airplane and other technical marvels in a welfare/warfare state. The entrepreneurial failure listed by Landes (1969) and others were rational responses to economic conditions. To suggest otherwise, ignores historical conditions. The British also had an education system much more in tune with science and technology. In fact, Britain could be seen as a technological innovator, whose inventions have been used by other countries.

Edgerton (2005) goes further noting that critics of British policy, such as Wiener and Barnett, often cite evidence out of context. In fact, he goes so far as to call their work anti-historical. He noted that Wiener demonstrated no interest in British industry or the British industrial spirit. His focus was on the anti-industrial spirit within the country. Of course, Wiener (1981) also noted that Britain's most similar rival, the United States, never had such an anti-industrial spirit. The American elite were much weaker making the system more open to industrial change. In fact, there was an argument that the antibusiness movement from the Progressives was an attempt of old elite (from families like the Roosevelts) to curtail the new elite. Yet Barnett's basic point that the "audit of war" revealed British weakness is supported by the fact that the British were willing to accept bad terms with the Americans to maintain the flow of war weapons into the country. Britain's initial response to the Morgenthau's plan to transform Germany into a pastoral state was muted because Britain had to beg for a loan (Kennedy 1999).

Furthermore, Edgerton's criticism ignored the common problem: Why did a country that had so many prime mover advantages fritter them away? Furthermore, why did a country that created so many brilliant concepts not enjoy a higher status in the world economy? Edgerton is right to be skeptical that innovation is not a direct cause of national wealth because it ignores a major problem – management. Management is the pathway in which innovations are implemented, proper innovation is selected, and innovations become efficient. Management and its social networks are the process through which innovation is spread. Edgerton does not mention management and the expertise that management could bring to handling problems. The British had many consultants, but it seemed that there was not a business school or trade networks to spread ideas and train new managers.

The British military production does reveal tremendous strength. As Barnett noted, British industry produced 100,000 planes by June 1944, with 10,000 of them being heavy bombers. They also produced 135,000 artillery pieces, 21,000 antiaircraft, 25,000 tanks, 900,000 wheeled vehicles, and 4 million machine guns. This was despite the needed dispersal of factories due to constant bombing and the vast reorganization socially and industrially that the bombings caused. This remarkable performance was a testament to the British collective spirit caused by the war, as well as the ingenuity and bravery of the British people. However, Barnett also argues that such a remarkable portrait hides the real truth, namely, that British production remained higher than average cost and lower than average production than its main rivals: United States, Germany, and the Soviet Union (Barnett 1986, p. 88). Even British airplanes required parts from many countries. This is revealed in their problems producing tanks – the fact that the British navy had to import steel from Germany. In fact, in the production of pig iron, Britain had been overtaken by Belgium by 1908, a country that was not considered to be a rival of British production (Barnett 1972).

In conclusion, Edgerton makes several important points in his writing. Namely, the British were able to create technological wonders. However, despite his arguments, I remain unconvinced. The British created many technological wonders to be sure, but they simply did not produce enough. Churchill, despite his issues with his mother's country and the pride in his father's, understood that British survival needed American weapons of war. As Arthur Herman (2013, p. 2) noted,

> American business produced two-thirds of all Allied military equipment used in World War II. That included 86,000 tanks, 2.5 million trucks and a half million jeeps, 286,000 warplanes, 8,800 naval vessels, 5,600 merchant ships, 434 million tons of steel, 2.6 million machine guns, and 41 billion rounds of ammunition—not to mention the greatest superbomber of the war, the B-29, and the atomic bomb.

This production occurred despite the conflict between businessmen and New Dealers, despite the eroding of America's industrial might during the Great

Depression, and despite American industry's poor performance during the First World War. The Americans provided the British with one-third of their planes. The Soviet Union's advance would not have been possible without American trucks. These wonders occurred due to American management and entrepreneurship. Although the British had the ability to create better engines, radar, and jet planes, they lacked the ability to produce them in sufficient qualities to make the difference. British innovation and American management were unbeatable.

Raging Against the Dying Light: Lyndall Urwick

Lyndall Urwick warrants his own section in this chapter. Urwick was one of the top management consultants of the twentieth century; a prolific writer, whose work covered about 60 years. Awarded many honors – and one of the preeminent champions of management theory of the twentieth century – Urwick was an early proponent of Follet and Fayol, recognizing their brilliance before many of their contemporaries. The downside was that Urwick did not devote as much time to the nuances of the work he drew upon for his ideas. As Parker and Ritson (2011) note (which I think is very charitable):

> Urwick's legacy included a lifetime campaign to reconcile scientific management with succeeding schools of thought, today's management literature stereotyping of some of his contemporary thinkers, and a contribution to management literature's predilection for the labelling of theories and principles.

Despite such criticisms, Urwick sought to combine schools of management thought into a universal theory of management, becoming, with the exception of Fayol, the preeminent classicist of the twentieth century. Urwick was also successful in building an extensive informal scholarly network which, over time, took on a more formal, international hue. Intellectually, as an officer in World War II, Urwick was introduced to the concepts of scientific management when he was recovering from injury. It was his embrace of Taylor, however, that created significant problems for him, problems that were especially damaging since Taylor's writings were held, at the time, in low regard.

Taylorism, Fordism, and Human Relations in Great Britain

The Americans developed many concepts in management, and these concepts were spread across the globe. How the British received them was driven by their culture. The 1870s were a time when the British mentality toward business really began to shift. Previously, the British philosophy regarding management was based on the entrepreneurial spirit and the concepts of self-help and laissez-faire. Shifts in British industry began to emerge post 1870. There were some concepts of incentive-based pay to quail worker protests. There was also a shift to altruism driven by Christian ethics. As John Child (2011, p. 34) writes,

> Thus by the 1890s, some employers were prepared to treat wage levels not as given by the market but as a variable, which could be manipulated to increase worker co-operation. Piece-rate systems came into operation particularly in engineering and railway workshops. Many of the top British industrialists came from a Christian, especially Quaker background.

This led many British thinkers to embrace concepts related to social responsibility. The British began to pioneer concepts related to industrial welfare, some of which correspond to later welfare capitalism.

Child takes a differing viewpoint arguing that British managers felt this impulse less due to altruism and more to deal with diminishing worker radicalism. Child (2011, p. 37) notes:

> Industrial welfare may also be distinguished according to whether it was designed to close the enterprise to trade unions or whether a more open-minded policy was adopted. Welfare that was little more than an arbitrary dispensation of favours could lead to the worst aspects of paternalism when, as with some railway companies, it represented an attempt to suppress unionism.

Child does note that some humanistic managers, such as Seebohm Roundtree, did recognize that workers could be placed in a difficult circumstance – namely, having to choose between their relationship with their employers and their fellow workers. One particular issue was that many of the elites believed that the well-off had a responsibility to take care of the less well-off. These beliefs would color how the British would respond to American concepts.

Taylorism had an interesting relationship with British thought. Firstly, the British recognized parts of the Taylor system, as it had many elements that were a rehash of Babbage's work. But what was new was that Taylor had created a system of management. It also provided the British with a system that could reduce poverty and reject the laissez-faire. However, the reception was muted and complex. According to Child (2011, p. 38):

> Scientific management involved a search for optimum principles of industrial operation and a conscious endeavor to inject a new philosophy of relationships in industry. Yet, on the other hand, it lacked that sympathetic view of workers and their representative organizations upon which Quaker employers particularly insisted.

British criticisms anticipated those of the human relations movement about 20 years beforehand. The net result was that there was little application of Taylorism before the First World War.

The extent to which the British adopted Taylorism is complex. The traditional narrative is that the British were indifferent toward the adoption of Taylorism (Littler 1982; Locke 1984). However, Littler and Locke's primary focus was on the years 1911 and 1912, during a period of labor unrest. Whitson (1997) concludes,

> A review of the leading British engineering journals in the early twentieth century reveals that Taylorism received a fair amount of attention, and much of it positive. By the beginning of the First World War, the majority of trade journals were echoing Taylor's demands for a new type of management.

The primary drive for the adoption of scientific management was consultants, although working managers were certainly aware of scientific management (Brech et al. 2010). However, British employers were hesitatant in adopting Taylorism due to the fact that they were small in size and continued to use batch production. Worker resistance was not the problem, and even employers began to embrace scientific management. Thanks to the work of consultants, like Lyndall Urwick, as well as the government, the British began to embrace the concepts of scientific management after the war.

The British seemed to have more difficulty embracing Fordism (Wiener 1981). The idea of mass production and consumption was something that the British began to really adopt in the 1950s, about 30 years after the Americans (Campbell 1987; Wiener 1981). One particular issue was that British society preferred batch work rather than mass production – aesthetics over materialism. Fordism with its emphasis on vast production and employee consumption would not have found a place in Great Britain during the 1920s. Coleman (1987) and Pollard (1989) argue that the British devoted their time and energy to business fields in which they had an early start. Some of the most prominent British businessmen, such as Cadbury and Rowntree, came from the chocolate industry. These industries did not require the integration or productive capacity as did the automobile.

The reception of human relations to the British Isles was one of great complexity (Thomas 1978). The British anticipated human relations by about 10 years according to Harris. However, one could see the elements of human relations early on in the writings of Quaker businessmen before the turn of the century. According to Child, the practical implications of human relations were not new to the British. However, the theoretical implications, such as social satisfaction, spontaneous cooperation, and informal organization, were very interesting to British management thinkers. The most influential human relations author was not Mayo, but T. N. Whitehead, whether this was due to his research being more in depth at the later stages or his famous last name, we could not be sure. Above all, Mayo's concept that managers had a social mission, fit into the British management mindset articulated before the war. However, despite this, the legitimacy of Mayo's work did not receive recognition until the next decade.

The British, like the Americans, used some of the spirit of the human relations movement to counsel workers. British managers also recognized that economic incentives did not cover all of work motivation. The British and Mayo also had a deep level of idealism in their work. But it was more in Britain that this idealism encouraged scientific work. Mayo's student and ablest defender noted, George Homans in his defense of Mayo, that Mayo's ideas were demonstrated through research, downplaying the role of ethics. The ethical criticism of Mayo would not come from psychology or business, but mostly from sociologists (Muldoon 2017).

There were also significant differences between the countries on human relations (Thomas 1978). British concerns over human relations had roots in Christian values and ethics. The United States' concern was over scientific transformation of work, and Mayo's political ideology was also attractive since he wanted to reduce destructive conflict between labor and management. The second issue is that of unions. Mayo pretty much ignored them; Whitehead argued that they served only a social role, ignoring collective bargaining. British management ignored the role of unions, but increasingly after the First World War, the British did pay increased attention to the economic and social benefits of unions. Harris notes that the difference could be that unions were not considered in the Hawthorne studies due to the lack of unions in the United States at the time. Many of the unions, prior to the New Deal, tended to be company unions.

One of the impediments to the British accepting management was the idea that they should trust democracy rather than the expert. The British view is that there is no viewpoint, nor theory, that could be made without exception. According to Rosamund Thomas (1978), the British preferred a practical person, trained in history and classics, rather than a manager trained in formalistic ways, like scientific management or human relations. If management is art and science, then the British preferred to focus on the art rather than science. The outcome was different. The outcome of American management was on greater production with greater efficiency and science. The purpose of work research was to scientifically discover the means of production and how to influence the human aspect at work. Taylor and his disciples, the early psychologists, and the Mayo group were all devoted, to lesser and greater degrees, toward scientific research. The British response was different – although they had elements in scientific research (certainly engineers were interested) – ethics were as important as efficiency. In addition, since ethics are valued and, according to them, cannot be scientifically researched, efficiency should be qualitative as well as quantitative.

To Tavistock and Modern British Management

The Second World War ended the old Britain. Common suffering and depravation created a sense of unity that had previously been absent in the country (Leff 1991). The cry from the British people was "never again" would the British suffer such destruction, loss, and poverty. This rallying cry produced a "New Jerusalem," a massive welfare state that would provide coverage from cradle to grave. This new attitude provided a major focus on industrial research and would help to create a modern management (Garrity et al. 2018). The war had "audited" the British economy, revealing deep weaknesses. This created a push for the development of research tanks, such as Tavistock, and would move industrial research into the university.

Like other postwar British arrangements, the Tavistock Institute had its genesis during the war, when a group of very talented psychologists, psychiatrists, and anthropologists banded together to work on the war Trist and Murray (1990).

They called themselves the Tavistock group, due to their connection to the Tavistock clinic. The clinic itself had its genesis after World War I, when British psychologists researched battle fatigue and other issues that people suffered due to the war. The British also faced vast problems during the war due to the demands of having to promptly build a large army. The Tavistock group consulted on the following issues: selection and training of army officers, training of pilots, handling the repatriation of the prisoners of war, and methods to gain roles of acceptance. After the war, the Tavistock group was formed based on their experiences during the war and a grant from the Rockefeller Institute. In addition, Tavistock formed a new journal, *Human Relations*, with a partnership with the Lewin research group, which was located at the University of Michigan. The damage done to the British economy – the devaluation of the pound, the lack of capital, and the nationalization of various industries – meant that there were opportunities for management scholars.

Another example of an important British contribution came from a surprising source, a classist named Joan Woodward (Garrity et al. 2018). Woodward recognized the abundant opportunities that were available for industrial research and switched to management from classics. Her brilliance and ability as a classist provided the nascent field of industrial research with an important boost in prestige; it is likely that her work was published by Oxford due to her reputation as a classical scholar. Woodward was able to make this contribution because of new government and industry support, as well as the weakness of British sociology. The contribution was the basis of contingency management, namely, that universal theories do not hold. One particular contingency was Woodward's focus on technology. This insight has received increased attention in recent years as Apple, Google, and Amazon are changing business processes. Woodward's influence during her lifetime was very high as she directly influenced Lawrence and Lorsch, Burns and Stalker, and Perrow, who were other scholars that played a role in the creation of contingency management.

Conclusions

Was Britain really a cultural, management, and entrepreneurial cripple as suggested by Landes, Barnett, and Wiener? Or was it a technically advanced nation as suggested by Edgerton? The reality is more complex than either of those extreme positions. The type of intellectual history deployed by Wiener and Barnett is inherently difficult to assess due to the sweeping statements deployed. Mostly, intellectual history focuses less on the grand narrative and more on the particulars. The explanation is that the aggregation of a sweeping thought necessarily ignores some of the particulars in the details. In this case, they ignore outcomes, such as the development of the airplane and the other technical marvels, in which British industry acted as a pioneer. If the British were as weak and feeble as claimed, they would have folded to the onslaught of the Nazis, no matter how brave their people. For despite British's supposed problem in moving into new industries, British industry in the 1940s was still a world leader in the aviation field, an industry that they largely developed and promoted. The planes, both bombers and fighters which Britain produced in World War II, were exceptional and may have been the best of the war. Barnett concedes that this was the case, noting the strength the Hurricane, the Spitfire, the Lancaster Bomber, and the quality of the Rolls Royce engines. The success of these planes helped to ensure the eventual defeat of Nazi Germany and remain, to this day, symbols of great national pride.

However, Barnett, ever the critic, noted that the aircraft industry was the result of government involvement, not spontaneous cooperation (unlike the American aircraft industry). With the exception of the jet engine, the aircraft manufacture required foreign innovations and equipment. Moreover, it is suggested the industrial problems that characterized other industries were reproduced in aviation, causing significant managerial and production failings. The lack of logistical control and economies of scale produced bottlenecks of production. The greatest problem was efficiency – the British required more workers to produce their aircraft, and much of the production was batch, rather than mass produced. If the British industry was as competent and powerful as Edgerton suggests, they would not have gone hat in hand to the Americans during both World Wars, especially the Second. Without American production, produced by American management, the war, despite the economic advantages held by the allies, may have been lost. Even the communist Joseph Stalin, who rarely had a good word about capitalists, stated that American production won the war.

The reason is simple: as Peter Drucker and historians have pointed out, Americans developed a concept of management that provided them with an advantage. True, American managers had a greater population and a larger economy to draw upon, but they were also more efficient in production. In just 4 short years, the Americans went from having a military on par with Belgium to being the largest and best equipped military on earth, boasting the second largest army, the largest navy and air force, and having sole possession of the atomic bomb. While other nations were broke, Americans had even more and better weapons on the drawing board, ready to be launched. Other nations, by contrast, suffered privations nearly unmanageable. The Eastern Front was a kill zone, whereby one out of every six people who lived between Germany and Moscow died. In Britain, consumers were forced to use acorns for coffee. In the United States, however, there was always plenty of food – despite the price controls and lack of consumer goods. The primary reason for this is simple: Americans had embraced the modernity of management.

The reasons behind Britain's comparative managerial failure, as mentioned in this chapter, are the following. Firstly, British culture played a key role in retarding the growth of an entrepreneurial capitalist class. Secondly, the pervasiveness and enduring effect of this culture remained manifest due to its embodiment in the educational system, both in terms of the "public" (i.e., nondenominational but private) secondary schools and the dominance of the Oxbridge model in tertiary education. Thirdly, the British elite lacked intellectual diversity. While they accepted outsiders such as Marcus Samuel, it was on their rules. Fourthly, the working class had the mentality of a working class, viewing entrepreneurial endeavor and associated social advancement with disdain. By contrast, the American working class were incipient capitalists. Finally, the British elite remained at heart wedded to ideas associated with the old landed aristocracy, a class whose political and social influence endured beyond the Industrial Revolution.

Lessons

Currently, the postwar consensus of the United States is gradually weakening. The emergence of Trump and Sanders as leaders, confirmed or de facto, of the Republican and Democratic parties indicates that the factors that once held Americans together are weakening. Like Britain before it, the United States' once unchallenged supremacy as a military and economic power appears to be waning. New powers, most particularly China, loom as industrial and (potentially) military rivals.

The British example can provide some insights that help explain America's current quandary. The British are not perfect examples; they were a net exporter of capital and people. Historically, the United States has been a net importer of both, a role that certainly characterizes its current economic and demographic situation. However, the real question right now is whether the United States can continue its role as the dominant economic power or will it be overtaken by other countries. This question has been posed many times before. Some in the 1930s looked to the Soviet Union, Fascist Italy, and Nazi Germany. In the 1980s, it was Soviet Union and Japan. In the 1990s, we heard about Europe and the challenge of the European Union. Today it is China. In fact, many commentators are noting that China will overtake the United States, if it has not already. There is a ticking bomb with US debt. Any attempt at austerity is beaten down at the polls. Much like the British in 1900, we are completely blind to the challenges of the new world. We do not produce enough tradesmen, or enough engineers, while producing too many individuals with Liberal Arts degrees. Increasingly, college graduates, especially from private schools, believe that they have been sold a bill of goods.

From a management standpoint, the United States is also facing problems that mirror that of the early twentieth-century Britain in terms of its elite, legal, and corporate structure. Much like those individuals who put together the British Empire, American businessmen and leaders were ruthless and aggressive in expanding their interests. Yet as the British pursued and developed modernity, they remained premodern, sentimental, and emotionally attached to the old England. Whereas British producers should have been more aggressive in educating and training workers, expanding companies, and adding productive capacity, they preferred to muddle through, focusing on ethical considerations, rather than questions of profit and economic efficiency. It was therefore not without reason, that the British, despite some interest, did not adopt Taylorism and regarded Fordism with complete disdain. The pursuit of ethics, instead of economic growth, ended in economic and social disaster.

However, the attitude today is very different; rather than being calculating, it has become more emotional, resistant to discuss certain topics. For example, try publishing a skeptical paper regarding global warming or diversity in a major journal? Imagine questioning the costs that could be incurred by switching to a green technology – even before that technology is ready to be used. The discussion of facts, science, and evidence has taken a backseat to wish and emotion. The United States is rapidly embracing a postmodernist mindset and the inherent danger that such as mindset can imply. Most decisions seem to be based on wishes and emotions rather than a full consideration of the facts. Given some of the scandals in the research world – both in management and environmental science – greater skepticism of results needs to be commonplace. But we treat debatable issues like a mantra.

Likewise, what made American leadership so remarkable was the diversity of background and opinions. To combat Nazi Germany and Imperial Japan, the Harvard-educated patrician Franklin Roosevelt made common cause with businessmen, as did Henry J. Kaiser and William Knudsen, both of whom came from poorer backgrounds. Knudsen was skeptical about the ability of government to mobilize a democracy at war. Today, we have increased background in racial and gender matters to the benefit of the nation. However, this comes at a great cost, in that education and the media do not encourage free debate and discussion, but go so far to name what is correct and right for society. In addition, one of the principle issues that managers implicitly face is that, due to the decline of social groups, church memberships, and neighborhoods, is socialization. As Elton Mayo once recognized the majority of socialization occurs outside of work. Given the pressure to conform, it makes sense that indoctrination can work. We are producing a generation that has high levels of conformity and a lack of critical thinking.

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Kurt Lewin: Organizational Change

26

Jeffrey Muldoon

Contents

Abstract

I cover the life, career, and contributions of the German-born and trained psychologist Kurt Lewin, whose primary contribution to management thought was describing the process of organizational change. I argue that Lewin, despite the time in which he lived, was a deeply committed idealist and democrat. I argue that these values permeated his work. The merits and weaknesses of his work are discussed.

Keywords

Lewin · Organizational change · Taylor · Mayo

Kurt Lewin was a natural-born democrat both in his private and professional life (Marrow 1969). Democracy was an article of faith and scientific fact to Lewin. He believed that democratic societies would, in the end, overcome autocratic societies.

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This was not a popular viewpoint during his lifetime. His native Germany elected Adolf Hitler as Chancellor in 1933 despite his avowed totalitarian views. Even in the United States and Great Britain, there were those who no longer believed in democracy – preferring various types of authoritarian arrangements (fascism, communism, etc.). Lewin was born in 1890 at a time where humanities' hope in progress remained high; he died in 1947, after 30 years of bloodshed and destruction with the potential of more to come. Yet, despite the bloodshed (even within his own family), Lewin still believed in democracy (Lewin 1992).

Lewin never stopped believing that man was inherently good (Bargal et al. 1992). The idea that people can change their attitudes based on interventions indicates that prejudice and hatred were less the products of man's depravity but rather the circumstances that man found himself in. This was another bold belief since Lewin's native Germany had gone from a constitutional monarchy to a totalitarian society. Many of his contemporaries, such as Reinhold Niebuhr, Hannah Ardent, and Daniel Bell, were convinced of man's rotten core (Brinkley 1998). Even professed liberals, like Arthur M. Schlesinger, Jr., felt the need to temper their liberalism with a more hard edged, skeptical view of human nature (Schlesinger 2000). Yet Lewin, despite his family loses in the Holocaust, believed that, through science, man would overcome the limitations of hatred and prejudice. Much like Frederick Winslow Taylor and Andrew Ure, Lewin was an optimist (Burnes and Bargal 2017).

After his death, Lewin was recognized as eminent a psychologist as Sigmund Freund – a bit of an overstatement to be sure – but he was still ranked 18th most influential psychologist of the twentieth century (Marrow 1969; Haggbloom et al. 2002). A remarkable feat is Lewin was consistently an outsider during his life – a Jew in Germany and a German Jewish refugee in America – among professors he was viewed as too practical, and among businessmen, he was considered to be too theoretical (Lewin 1992). Even his academic appointments in the United States were marginal – he was not in the psychology department at Cornell, but home economics – at the University of Iowa, he was at the childhood welfare department. Yet he was still able to attract a legion of top flight graduate students everywhere he went (Weisbord 2004).

Despite his career struggles, Lewin had a tremendous faith in science, not just science in terms of traditional science, such as chemistry and physics, but also psychology, then a field that was just an offshoot of philosophy. Yet there was little belief in psychology that issues such as emotions, attitudes, and other latent variables could be researched – making scholars doubt that rigor of the field. Lewin changed that perception – leaving contributions in a wide variety of fields from his home in social psychology to child psychology to leadership studies and management (Lewin 1992). Lewin was not only a theorist, but he was also an empiricist – validating his theories through painstaking research in laboratory experiments. His contributions in management have focused on organization and development. Lewin receives a high, but not universal, level of praise. Despite his works being published over 70 years ago, Lewin still casts a vast shadow on his work on how to initiate change, even with the criticisms that occurred over the years. Lewin's work and name are known to even undergraduate students. Yet some scholars have not regarded him highly. For instance, in his 1974 work on management, Peter Drucker does not mention Lewin (Drucker 1973). This should not be taken as a deep dig at Lewin personally. Management scholars have had a difficult time demonstrating who is and who is not considered a management scholar (Muldoon et al. 2018). Scholars, such as Lewin, who wrote from a different field sometimes do not receive the recognition they are warranted. Yet despite the silence from Drucker and others, most management scholars acknowledge the deep debt the field has toward Lewin. As Hendry (1996: 624) wrote:

> Scratch any account of creating and managing change and the idea that change is a three-stage process which necessarily begins with a process of unfreezing will not be far below the surface.

In fact, some scholars such as Burnes (2004a, b) argue that we should revisit Lewin's ideas again to improve the ethical performance of management.

The purpose of this chapter is to examine the contribution of Kurt Lewin to management thought. The chapter is divided into four sections. The first section is a brief biography of Lewin where it covers his early life and career to his emergence as a notable social psychologist. The second section will examine the various contributions that Lewin made to management. Like Burnes, we argue that the three-step approach is complementary. The third section of the paper covers Lewin's relationship with other management thinkers, including Chris Argyris, Frederick Taylor, and Elton Mayo. The fourth section of the paper covers the various criticisms that have been leveled on the work of Lewin.

Biography

Kurt Lewin was born in 1890 in the Prussia province of Posen – now part of Poland – to Leopold and Recha Lewin. The village in which Lewin grew up was part of a very hierarchical society with aristocrats on top and Jews, like the Lewin family, at the bottom. As Miriam Lewin (1992) wrote "no Jew could become an officer in the military, obtain a position in the social service, or own a farm." Yet the Lewin family was well-regarded within the Jewish community and was relatively well-off. The family owned a store and a family farm (although the farm was legally under a Christian's name). Lewin was also blessed in that both parents stressed education. Leopold spoke Polish, Yiddish, and German and possessed a high school education. Lewin got his democratic notions from his family and from his surrounding environment. His family may have been a top Jewish family, but they were still considered second class citizens. Lewin was not pretentious in his dealings with people – this was a trait that he picked up from his father. From both of his parents, Lewin also developed a sympathetic understanding of the downtrodden. These traits would enable him to become an excellent mentor to his students (Marrow 1969).

When Lewin was 15, the family moved to Berlin so the children could receive a better education. Lewin was trained in the classics: mathematics, history, natural science, Latin, Greek, and French. Lewin received good grades and started at the University of Freiburg to study medicine. He later transferred to the University of Munich. It was at Munich where Lewin took his first class in psychology. Lewin then transferred to the University of Berlin, where he continued his courses in medicine until he realized he hated dissection. He then switched to philosophy (which was then part of philosophy) taking a wide range of courses. One of the primary intellectual influences of Lewin was the work of Immanuel Kant, one of the fathers of German idealism (Lewin 1992). Kant differed from other idealist philosophers, however, in emphasizing how social change can be enacted through the use of one's reason. As he indicated in his 1784 study, *What is Enlightenment?*, Kant (1784: 1) believed that the first toward social enlightenment begins with personal enlightenment and the freeing of one's self from "self-incurred tutelage." This framework would become a major intellectual influence on Lewin, encouraging him that hatred and prejudice could be overcome through science and education.

Lewin's primary professor (and future dissertation advisor) was Carl Stumpf, one of the leading figures in psychology. In the department, Stumpf hired three stars of psychology: Max Wertheimer, Karl Koffka, and Wolfgang Kohler. Stumpf also supported Gestalt psychology; his students Koffka and Kohler were the founding fathers. Gestalt psychology sought to research how perceptions emerge in chaos. The basis of this research was gained through laboratory analysis – to make psychology distinct from philosophy. Lewin and his professors were determined to demonstrate that research topics, such as group dynamics and social climate were compatible with scientific inquiry used in the natural sciences (Lewin 1977). Miriam Lewin (1992) noted that although American psychologists shared the same ends as Lewin did, there was a difference. For an American scholar, a commitment to rigor was only superficial; for Lewin it was a driving orientation to explore the inner logic of psychology.

Lewin wrote his dissertation under the direction of Stumpf, but it was a distant relationship, at best. He did not talk about his dissertation with Stumpf until the day of the defense. As Lewin and others have noted, this was not the behavior he would display when he became an advisor. In fact, he was the opposite. He was dynamic, engaged with his students, and in the process attracted many students, both in Germany and then later in the United States. Among his students were Bluma Zeigarnik, Jerome Frank, Donald Adams, Anitra Karsten, Ronald Lippett, Leon Festinger, Alfred Morrow, and John Thibaut (Marrow 1969; Weisbord 2004). Many of his doctoral students would become leaders in psychology. Festinger would become one of the preeminent social psychologists of his time. Lewin also directly influence Chris Argyris, who, although he was not a student of Lewin, was someone who was deeply influenced. Lewin convinced Eric Trist to abandon English Literature to become a psychologist. His conversation with Trist was so stimulating that Lewin needed to be forced onto his departing train. He also influenced Philip Zimbardo and Stanley Milgram.

The primary guiding virtue for Lewin was tolerance, whether it was another's opinion or their personal limitations. Lewin did not demand intellectual conformity from his students. During his famous study on leadership, one of his assistants, Ralph White, made a mistake when providing directions. According to Wolf (1996):

> This was something between Kurt and Lippitt [Ron Lippitt]. The plan was to have two styles of leadership – democratic and autocratic – and they set up the experiment for these two styles. Ralph White is a very quiet man – in many ways the opposite of Lippitt. Lippitt came from Boy Scouts and from group work with youngsters, and was really tremendously helpful. I don't think Kurt could ever have done those experiments without him. Ralph White was supposed to be the democratic leader. Ralph is very quiet, and I don't think he ever had much experience with kids. When his group was discussed, Ronald Lippitt said 'that isn't democratic leadership. That is laissez-faire.' This was the typical way of Kurt's working with graduate students. He didn't throw anything out just because it wasn't planned that way. Kurt said 'okay, we'll make a third group. A laissez-faire group.'

The only thing that Lewin was not tolerant of was totalitarian beliefs or destructive behaviors. Lewin, however, was not a radical. He rejected Marxism because he believed that it did not have an empirical basis. Instead, he sought to reform society by developing better techniques. Lewin's attitude toward Marxism was similar to many American intellectuals at the time. Yet many of his comemporaires embraced destructive ideologies during the tumultuous events of the early twentieth century. Lewin himself lived through dark times, including combat experience in World War I, where he was wounded and a brother lost. Returning to university after recovering from his wounds, Lewin found refuge in his work, becoming more convinced for the need for science to promote solutions to societal problems. Lewin continued to work during the horrors of the war and also contributed a paper to Stumpf's 70th birthday. After the war, Lewin continued his career at Berlin Psychological Institute. In 1922, Lewin became a lecturer, a marginal position where he was paid by how many students he taught (Lewin 1992). Yet despite his heavy teaching loads, he remained a productive and insightful scholar. The rise to power of Hitler, however, threatened even that tenuous foothold in academia. Unlike many other Germans (whether Jewish or not), Lewin quickly grasped the unique evil of Hitler. Hitler soon imposed his anti-Semitic views on society (Evans 2003). The doctor who had delivered Lewin's children was very hesitant to deliver his next child as Hitler banned Jews from attending university (Lewin 1992). Lewin did not want to teach at a university where his children could not attend. He decamped to the home economics department at Cornell, thanks to the efforts of Ethel Warring. After a few years, Lewin left for the University of Iowa, where Lewin may have been at his happiest. Lewin created an agricultural-based community like the one he had grown up in. He attracted a wide range of brilliant students and visiting colleagues, such as Margaret Mead. Lewin loved to hold informal picnics where people could sing, play, and talk about psychology. It was during this time that Lewin was perhaps his most productive as well (Marrow 1969).

The Second World War and its resulting destruction provided a further incentive for Lewin to look to democratic solutions for societal problems. His study of leadership, conducted with White and Lippett (Lewin et al. 1939), convinced him that the "interdependence of fate" rather than similarity was key to fighting prejudice. This viewpoint enabled him to come to two major conclusions. The first one, according to his daughter, was that the Jewish community needed to act as one, regardless of their differences in class, nationality, or religious outlook. The second conclusion was that proper leadership and experience can enable individuals to overcome bias and prejudice. However, all was not well in Lewin's world, the Holocaust consuming some of his family members, including his mother, and effectively destroying the German Jewish community.

Lewin left Iowa after he formed the "Research Center for Group Dynamics," a group at the cutting edge of action research which linked advanced theoretical academic research to social solutions (Weisbord 2004). During this time, Lewin was committed to doing both industrial research as well as research on prejudice. He also produced some very original research and published in the first editions of *Human Relations*, work which would stand as his major contribution to management. Lewin died in 1947 at the age of only 57, in the midst of things, overworked by his research agenda as well as his role as director for the "Research Center." Lewin left a major legacy and his influence continues to shine to this day. Very little research conducted these days is as practical as Lewin's work (Burnes 2009a). Today, management scholars wonder how much impact and relevance we have in management. The answer to this question is not much. If management wishes to remain a respected field, it must devote more energy to solving practical problems – in other words, take up Lewin's standard.

Lewin's Contribution to Management

Lewin left a deep impression on the field of management despite the fact that he was a social psychologist and not from the management field. He was almost the only early German psychologists who had an interest in management. Miriam Lewin (Papanek 1973) stated that Lewin made the following contributions:

> 1. the concepts of field theory, 2. action research (the interweaving of laboratory experiment, systematic research in the field, and client service), 3. the study of group dynamics, and 4. aspects of sensitivity training techniques. His ideas appear today in discussions of productivity, management by participation, job enrichment, organizational development, organizational stress, and organizational change.

William Wolf (1973) viewed Lewin's most significant contributions to be tracking the process of organization change and helping to develop some rudimentary understanding of open systems. Wolf also stated that Lewin had a direct influence on the work of Chester Barnard. Miriam Lewin stated that Lewin's biggest contribution was in the development group dynamics (Papanek 1973). Yet it is Lewin's refreezing/freezing framework that is still widely cited and influential. Even though we may have moved past Lewin's work, it still remains something that scholars need to grapple with. However, like Burnes, I would suggest that the unfreezing framework is an outcome of Lewin's other ideas such as leadership and force field analysis. The next section of this chapter will document Lewin's work, the various recent studies influenced by it, and his relationship to other management thinkers.

Lewin's greatest contribution to management was his unfreezing/refreezing framework. However, we must consider, as did many of the people who knew, that there was great similarity to his work. Each of his theories was designed to produce some change, to create a more diverse, less discriminating society. As Lewin's widow wrote:

> Kurt Lewin was so constantly and predominantly preoccupied with the task of advancing the conceptual representation of the social-psychological world, and at the same time he was so filled with the urgent desire to use his theoretical insight for the building of a better world, that it is difficult to decide which of these two sources of motivation flowed with greater energy or vigour. (Lewin 1948b)

As Burnes (2004b, 2009a) has written, Lewin was a humanitarian who believed that using social science to reduce social conflict would produce a better world. Burnes (2009) agrees with both Lewin and his wife in noting the overall thematic coherence of Lewin's work, a coherence that saw each theme reinforce each other to produce relevant change within the group, organization, or society (Burnes and Bargal 2017).

In many minds, Lewin's contribution to management thought is forever associated with force field analysis. Force field analysis is an attempt to understand behavior by understanding the total forces that influence a behavior through the use of maps to understand the interaction and complexity of the forces behind the behavior (Lewin 1943). Lewin noted that status quo is maintained through an interplay between these forces. The key to understanding behaviors would be the relationship between the person and the environment in which they find themselves. For example, if a person is currently a smoker, whether they maintain or stop smoking will be an interplay between driving forces and restraining forces (Weisbrod 2004). A driving force that would stop a person from smoking could potentially be the cost of smoking, fear of cancer, or social pressure. The driving forces are those forces that would encourage a person to stop smoking. Yet these forces would face restraining forces, which would encourage the person to continue the current practice. Habit, for instance, would be a restraining force that would encourage people to continue smoking.

Lewin's work on force field analysis provides an early example that change will come only slowly due to the restraining forces within the organization. As Burnes (2004, pg. 982) has written:

> forces would need to be diminished or strengthened in order to bring about change. In the main, Lewin saw behavioural change as a slow process; however, he did recognize that under circumstances, such as a personal, organizational or societal crisis, the various forces in the field can shift quickly and radically.

The principal takeaway from force field analysis is that behavior is a function between the person and the environment or $B = f(P, E)$ (Sansone et al. 2003). An individual may have certain desires and wishes, but they can be constrained or encouraged by environmental factors. Another important consideration is that people do not make decisions on just past outcomes, but current desires as well. Often, routines are created and maintained due to the fact that the need for change is insufficiently enforced. Force field analysis remains arguably the most poorly understood part of Lewin's work. Nevertheless, several organizational change theorists have considered this approach in their work.

Group dynamics is another major contribution Lewin made to management (Lewin 1947). One of its basic referents is Lewin's equation about behavior. Several scholars (including Allport & Burnes) have noted that Lewin was one of the first scholars to write about group dynamics. According to Lewin, what determines a group is the interdependence of fate, namely, the idea that people in the group will share the same outcome. This idea explains why the difference in status or personality does not matter, a conceptualization that reflects Lewin's personal past as a Jewish refugee from Germany, where Jews were hunted down and murdered regardless of education or past service to the nation. As Kippenberger (1998a, b) noted, Lewin's interest in groups was also underpinned by his desire to understand the forces that cause groups to behave in a particular direction. Lewin went further in arguing that there was little point in attempting to change individual behavior. If behavior needs to be changed, it needs to occur at the group level. Scholars today are somewhat more skeptical of Lewin's analysis (Burnes 2009a). Oftentimes, the reason why a group exhibits similar behavior is that the people who are attracted to the group are often very similar. For example, if we take a personality score of accountants, we would probably discern similarities, namely, attention to detail and order. The interdependence here would not be of fate or outcome but similar interests, desires, and wants. Nevertheless, applied to change within an organization, we need to consider the roles that groups play.

Lewin recognized that while he had the basics, he needed more thorough and practical measures to lead to meaningful change. Two notable outcomes of Lewin's practical approach would become action theory and the three-step change approach (also called the unfreezing/refreezing framework). What is particularly noteworthy is that Lewin developed these ideas to answer the needs of various organizations that were seeking his help. This first approach is action theory. According to Burnes (2004: 983), action theory is designed to answer two major needs:

> Firstly, it emphasizes that change requires action, and is directed at achieving this. Secondly, it recognizes that successful action is based on analyzing the situation correctly, identifying all the possible alternative solutions and choosing the one most appropriate to the situation at hand.

The primary need to change is driven by the person's inner recognition that change is needed. Without this desire, the restraining forces maintain their hold over the individual. A key aspect of this change process reflects Lewin's Gestalt psychology background, which emphasized how we should make the person consider the totality of the situation.

This idea that we should consider the total role of change is one of the reasons why Lewin and others claimed that if we wish to change organization, we must understand the entirety of the situation. In this framework – which emphasizes both social forces and the interplay of groups – we see that action research is based on Lewin's complete ideas (Weisbord 2004). Lewin also understood that routines and patterns have value because they encourage group norms. Therefore, if we wish to enforce change, we need to consider changing routines and patterns. The major thrust of action research is learning. Often referred to as Lewin's spiral, Lewin's model is a course of planning, learning, and fact-finding. Lewin's work in action research was initially conducted with the Italian and Jewish street gangs in American cities to reduce their violence. Action research was later adopted by the British Tavistock Institute to aid with the nationalization of mines in that country (Weisbord 2004). Lewin recognized that for change to become permanent, the intervention is needed to support the permanence so that it was not a fleeting thing.

Force field analysis, action research, and group dynamics lead up to Lewin's greatest management accomplishment – the unfreezing/refreezing framework (Lewin 1947). There are two important considerations about this framework (Weisbord 2004). Firstly, Lewin meant to use it as a complement to his previous work. Secondly, he developed this framework for organizations that were not just business in nature, i.e., community organizations, government departments, etc. The unfreezing, change intervention, and freezing framework have their basics in force field analysis. Attitudes and behaviors are either changed or kept through the interplay of various forces that an individual faces. Force field analysis has its connection to group dynamics in that it considers how group interplay can influence a person's behavior and adoption of change. It also has its connection to action research in that it considers the totality of the situation.

The first step of the process is the unfreezing phase. Lewin recognized that for people to embrace change, they must begin to challenge the status quo. This status quo is kept at near equilibrium due to an interaction of forces on the individual. If there is to be change, there must be an action to disrupt the equilibrium. In essence, to use the analogy of freezing, at the first step, values and beliefs have been frozen by a series of forces. How an unfreezing takes place can come in multiple ways due to each situation having a distinct interplay of forces. Oftentimes, emotional appeals can produce fear or pride that can lead people to change the status quo. When either politicians or managers seek something different, there is an emotional appeal as part of getting other people to consider new things. When in 1947 Harry S. Truman launched America's involvement in European affairs to contain the Soviet Union, it had been recommended to him that he scare the American people (Hamby 1995).

Lewin recognized that unfreezing was not an end in and of itself. Once people are open to change, there must be change intervention to change behaviors and attitudes. At best unfreezing can get people to consider change. During a change intervention phase, learning new behaviors should take place. This phase of change considers the notions of training, explanation, and championing of new behaviors. Recent suggestions, regarding change intervention, are the need to establish small wins or minor victories to encourage adoption of new roles by making the task seem less daunting (Wieck 1984). During this phase of the process, people understand that change is occurring but remain uncertain what the final step will be. The final phase of change is refreezing which is to arrange these new behaviors and attitudes in a new equilibrium. In another words, it is to make sure that people within the organization truly adopt the new ideas. In the words of Burnes:

> . . .. degree, congruent with the rest of the behaviour, personality and environment of the learner or it will simply lead to a new round of disconfirmation (Schein 1996). This is why Lewin saw successful change as a group activity, because unless group norms and routines are also transformed, changes to individual behaviour will not be sustained.

In other words, when producing change within an organization, the people directing it must be careful not to stop the change intervention too soon. Rather they need to produce force fields to maintain these new ideas. This explains why, according to Lewin, change is very difficult to perform (Weisbord 2004). Thus, Lewin performed two distinct approaches to change. The first was to provide, through force field analysis and group dynamics, an explanation as to why values remain secure. Once we understand the forces that keep beliefs and behaviors steady, we can then break the forces that hold. This occurs through action research and its idea of education. Lewin also suggested that we need to create new forces to sustain the new beliefs.

Although not directly related to his work on change, Lewin's work on leadership, along with Lippett and White (1943), warrants consideration in this chapter for the reason that leadership is an important part of organizational change. Lewin and his co-authors argued that there are three types of leadership. The first is authoritarian leadership where the leader determines policy and sets tasks. This leader uses hostility and coercion to ensure individual cooperation. This type of leadership is not desirable becomes it causes discord and anguish in members in the group. Members often attack fellow members when the leader is not there. The second type is laissez-faire leadership whereby the leader does not provide any information and support. This type of leadership is also associated with poor outcomes. In the third type, democratic leadership, the leader creates an environment allows for choice and determination on the part of people in the group to make decisions. In addition, leaders show concern for members within the group as well as provide explanations as to why they are performing certain behaviors. In democratic leadership, we see higher performance, greater acceptance of leader's direction, and less destructive behavior.

I would argue that during the three-step approach to organizational change, it is a democratic leadership style in action. Namely, the leader in the three-step approach provides direction, explanations for why the change is occurring, gets feedback for the subordinates, and allows for both the leader and follower to work together to promote the change. This type of leadership style typically reduces the fields that impede the need to change, impediments that include politics, obstruction, and a lack of understanding. Over the years, scholars have reaffirmed such findings in relation to the important role of democratic leadership in both change and politics within the organization, thereby confirming the important role of leadership in organizational change.

Lewin and Other Management Thinkers

One of Lewin's first published articles was a criticism of Frederick Winslow Taylor. The criticism was so harsh that Marvin Weisbrod (2004) viewed Lewin as Taylor's antithesis. Lewin criticized Taylorism for not having much appreciation of intrinsic motivation. Lewin believed that job design that created boredom and reduced learning opportunities was one that denied the "life value" of work. Such designs diminished, rather than enabled, human aspirations. Weisbrod noted that, unlike Taylor – where the focus was on industrial engineers making decisions – Lewin sought real partnership between workers and managers in an environment where shared decisions were made in relation to conditions at work. Although Taylor did concede that workers and management should share decisions, it was often the reverse. Lewin was one of the first to recognize what we crave job satisfaction and psychological empowerment.

Several scholars, including Weisbrod, have argued that Lewin was a more democratic and enlightened version of Taylor. It should be noted, however, that democratic values are themselves normative and do not always fit. In fact, shared governance need not be democratic but should merely consider voices. Taylor was not a dictator (Nyland 1998). Rather, he believed that science should be the guide to behavior rather than democracy or dictatorship. Taylor noted that much of what workers and managers knew was based on faulty information. Therefore, a radical orientation of perspective was required of both workers and managers. Taylor also stressed that there should be a partnership between management and the worker. At his core, Taylor wanted to free workers from the tyranny of poor management (Locke 1982). Taylor also understood social motivation. Lewin's contribution was similar to Mayo encouraging scholars to consider social motivations in depth.

Elton Mayo and Kurt Lewin both deserve consideration as important figures in the forming of organizational behavior. There is a strong tendency in the literature to view Elton Mayo as the father of organizational behavior, but such a statement is ahistorical. Moreover, Mayo's work and Lewin's work should both be considered as providers of foundational concepts in organizational behavior. Both men researched roughly similar issues: attitudes, satisfactions, social motivations, and leadership activities (Minor 2002). Mayo's primary insight involved the recognition that the shift to the modern industrial order meant that there was a need to research how to create and maintain spontaneous cooperation (Homans 1949). Future research was needed to make this contribution for Mayo. Lewin's work was, by contrast, clearer and more precise. Lewin was a scholar in a way that the intuitive Mayo could not hope to be. Lewin was also theoretically stronger than Mayo, whose work had a ring of advocacy to it. Lewin hit the right mixture between advocacy and research rigor.

Both Wolf and Minor suggest that it was Lewin who provided the field with real scientific rigor. Minor (2002) goes even further, portraying Lewin up as a paragon of scientific rigor when compared with Mayo, the advocate. Consequently, Minor and Weisbrod are compelled to ask the question: why did Lewin receive little note in the literature as opposed to Mayo? Minor proposes several potential explanations: anti-Semitism and Lewin's liberal views. These explanations fail to consider actual facts.

Firstly, Daniel Bell (1947), who was Jewish, stated that research in organizational behavior (or work-life) commenced with Elton Mayo, but Lewin's research was also recognized. Secondly, Mayo's work was considered conservative and in many of the fields, such as sociology, liberalism reigned. Many sociologists admired Hawthorne and sought something similar but with liberal leanings in their own work (Muldoon 2017). Arguably, the secret of Mayo's success lay in the fact that he codified what people already knew and encouraged scholars to develop understanding as to what made spontaneous cooperation possible at work. Mayo had a cadre of researchers and theorists – including George Homans and Talcott Parsons – seeking to refine the studies or explain them theoretically (Smith 1998). Lewin did have followers, but he did not insist they follow his lead. Nor did he focus his entire research efforts on work life. Mayo, as was Taylor, was a mono-manic in that he focused in on one thing at a time.

There is one clear point of difference between the two men. Mayo was a conservative of an unusual sort. At Harvard, Mayo consorted with some of the most conservative, and even reactionary, members of the faculty, including President A. Lawrence Lowell, Lawrence Henderson, and George Homans (Traihair 1984). When he lived in Australia, he opposed both the election of Labor government and the marked extension of trade union power that occurred during the first two decades of the twentieth century. Mayo was also not unadulterated enthusiast for either the New Deal or attempts to nationalize industries. According to J.H. Smith, Mayo expressed viewpoints that were libertarian in nature – a viewpoint out of step with the professoriate. Mayo viewed the utilitarian viewpoint of the new modern world with skepticism, believing that the primitive world, through ritual, created adaptive societies based on systems of cooperation that looked beyond economic or material gain. For Lewin (and Taylor), the modern world allowed for the development of new ideas and knowledge that could overcome the prejudices and tyrannies of the past. Unlike Mayo, the modern world, despite its horrors, was a place of opportunity for Lewin – where education can be a light.

Chris Argyris (1997) is another scholar that Lewin influenced. Argyris was not, however, a formal student of Lewin. Rather, Argyris met with him during his time as an undergraduate at Clark University. Despite this limited interaction, Lewin would have a deeply profound influence on Argyris, an influence only exceeded by that of Argyris's only mentor, William F. Whyte. According to Argyris, Lewin's influence over his thinking mainly related to the nature of theory. As Argyris wrote:

> I believe that scholars are free to generate any theory about action research that they choose to develop. I also believe that they are not free not to make explicit what they believe are the features of sound theory, Lewin did say, in effect, that there was nothing as practical as sound theory. He defined the properties of any sound theory. I will make some of these properties explicit and illustrate their implications for scholarly consulting.

Argyris provided more functionality to the nature of learning. According to Finger and Asún (2001), "unlike Dewey's, Lewin's or Kolb's learning cycle, where one had, so to speak, to make a mistake and reflect upon it – that is, learn by trial and error – it is now possible thanks to Argyris and Schön's conceptualization, to learn by simply reflecting critically upon the theory-in-action."

Two social psychologists, Stanley Milgram and Philip Zimbardo, were also influenced by Kurt Lewin (Zimbardo 2016). Whereas Lewin sought to understand what factors encourage people to become more democratic and ethical, Milgram and Zimbardo researched circumstances that cause people to operate on an undemocratic and/or unethical basis. Zimbardo's study of prisons provided an overview that in prison circumstances both guards and prisoners adopt the roles that are assigned to them. Therefore, prisons are bad places, not because of the people involved but the circumstances involved. Although Zimbardo noted that his work carried on Lewin's understandings of behavior, the reality was that both Milgram and Zimbardo demonstrated that there are circumstances that cause a person to act in ways that eliminate the previous self. An interesting difference between Lewin and Zimbardo/Milgram is that Lewin, despite being persecuted and seeing members of his family murdered, remained optimistic about humanity. By contrast, Zimbardo/Milgram, members of the American meritocracy, and in a much more democratic and humane country (although far from perfect), had grave doubts about humanity's good nature.

Criticism

Like other prominent scholars, Lewin's work has come under attack by others over the years. The most serious charge labeled against Lewin is that his research is too simplistic to have real value for scholars and practitioners (Burnes 2004). Lewin's approach to change can be placed within the classical school of management, a school which believes that there are only a handful of goals that really matter to business (namely, profit-making) and that managers can plan and determine what types of techniques and interventions they wish to use. In addition, managers possess complete information and have clarity of goals. Lewin's work does share assumptions with classical management, albeit imperfectly. Lewin nevertheless understood, unlike others in the school, that workers can block and overcome managerial dictates. Lewin's framework was, moreover, for all organizations: not just for-profit corporations. Yet the same idealistic vein of information and rationality flows from Lewin's work. Lewin's force field analysis assumes that all forces can be considered as well as their direct proportion to each other. There is also an assumption that individuals can change their viewpoint – all they need is additional information and aid from others. Few scholars in strategy or organizational behavior believe these assumptions today (Whittington 2001).

Some of the major challenges to Lewin have come from evolutionary economics and the processual school of management (Whittington 2001). Both of these schools of thought have consistently challenged the underlying assumptions of the three-step process. Economists have long believed that managerial action is less important than environmental fit. Usually industries go through set patterns of change. A new industry is discovered, various companies enter into the field, there is fierce competition, and then in the end, there are only a few surviving companies. Only fit companies will survive. Evolutionary economists believe that there is little managers can do to anticipate where the next change in the market will occur. Therefore, there is little a manager can do in the face of industry evolution. Managers can only control some part of the information in the market – prices and resources vary and fluctuate at random. Some companies become so large that they could actually pick the market they wish to function in. Nevertheless, such companies are rare. A company that sold buggy whips would have gone out of business when the car became popular – there was little they could do in the face of this new technology. They lacked the expertise and resources to compete in the new market. Once buggy whip manufactures realized that the car was here to stay, there were on their way to obsolesce. Chester Barnard (1938), although not traditional considered an evolutionist, recognized that all firms will eventually die. Barnard recognized that forces in the firm, the zone of indifference, make it difficult for change to occur. The constant turnover in companies that make the Dow Jones composite bears this out.

Andrew Pettigrew, the father of the processional school of management (Pettigrew 1987, 1997), has been a noted critic of Lewin's work. The processual school of management does not focus on a single outcome such as profit sharing. Nor does it believe that managers' actions are predetermined. Instead, it highlights how any given managerial action can have multiple outcomes, outcomes that often only make sense afterward. The assumptions that Pettigrew employs come from the Carnegie school (Whittington 2001), which states that individuals are bounded rational – meaning that they lack perfect information. Behaviors tend to become entrenched within the company because routines and standard operating procedures are often resistant to change due to political forces within the company. In fact, strategy creation is often a process managers use to reduce the uncertainty the company faces – akin to ducking under the desk when a nuclear bomb attack occurs. It provides a sense of control – but it does not really work. In fact, some companies actually come up with the solution and then search for the problem – a very different viewpoint to that of Lewin.

Despite such criticisms, we can conclude that Lewin's work was neither simplistic nor wrong; rather it was incomplete. Lewin's work is on firm ground when it examines the ways in which the various forces aligned within an organization can use politics or other techniques to resist managerial leadership within an organization. Lewin was correct when he asserted that certain types of change can be planned and then implemented. For instance, when a firm decides to implement a new recommendation from the government, it would use techniques similar to those that Lewin recommended. Yet Lewin's views are also incomplete. It seems that there are types of change that cannot be planned or prepared for. When they occur, there is little managers can do to prevent the destruction of their firm. Lewin's framework suggests that change is a one-time moment; dynamic capabilities literature suggests change cannot be a one-time moment to the evolutionary nature of the market, which makes continuous change a necessity (Teece et al. 1997). However, this criticism needs to be tempered with the work of Burnes (2004), who argued that Lewin's work can lead to continuous change. Rather, firms should align their recourse to be consistently learning and absorbing new information.

Lewin's famous thesis is that behavior is a function that results from the individual interacting with the environment or B = f(P, E). One of the most famous criticisms was issued by Benjamin Schneider (1987), who argued that environments were a function of people behaving in them or E = f{P, B]. Schneider's framework would become known as the attraction-selection-attrition model. Schneider argues that people are attracted to organizations based on a convergence of needs, selected by the organization based on perceived similarity, and those who do not fit well leave the organization. Schneider's basic point is that some people are hardwired to act a particular way. Interventions to change people's dispositions are limited. If an organization wishes to change, the implication is that it must bring in new workers and ideas. People are bigoted, sometimes not because of their environment or education or experience, but because they are, at root, the people that they are. The ASA model also suggests that people are more likely to be attracted to people who are similar to them. The idea of "shared experience" often fails in comparison with ethnic differences, belief systems, and personality differences. Research conducted both in management and elsewhere indicates that trust is something that emerges from institutions. Countries and groups characterized by high levels of diversity often have serious problems with trust. This indicates the world is more provincial and divided than Lewin thought.

Yet recent work theorizing in personality research indicates that people and their environment interact with each other. This theory, called trait activation theory, argues that task, social, and organizational cues can activate or, in certain aspects, deactivate traits (Tett and Burnett 2003). For example, scholars found that Machiavellianism, a personality trait that focuses on obtaining outcomes – either ethically or otherwise – was activated under abusive supervision (Greenbaum et al. 2017). Tett and Guterman (2000) found that personality traits would be activated if they found relevant cues. Kamdar and Van Dyne found that strong social exchange relationships can eliminate personality traits, such as conscientiousness and agreeableness. Likewise, some negative traits, such as neuroticism, can be overcome through positive relationships. It is possible, applying this framework to organizational change, that some personality types (conscientiousness and agreeableness) will be activated during a period of organizational change. This suggests a move back to some Lewinian concepts rather than the attraction-selection-attrition framework. Even such ardent personality researchers as Barrick and Mount propose that situational and personality interaction is perhaps more important than simple personality in the workforce.

One point needs to be made on Lewin's work versus the work that is conducted today. It is true that Lewin's work was simplistic in comparison of what has come to be. But his work still shines a deep light on a wide variety of topics in change management. The reverse could be claimed today as well: management research is too abstract and abstruse to provide managers with anything meaningful to properly run businesses. What advice we do offer is often basic knowledge, common sense, trivial, or legally suspect. We recommend that managers select on intelligence without really considering that such advice is legally circumspect. The field of management has lost its impact on practitioners.

It is surprising given Lewin's degree of fame and influence and that he has received little in the way of criticism. This finding bears an interesting comparison with Henry

Ford, Elton Mayo, Frederick Winslow Taylor, and Robert Owen, whose reputations appear to often wax and wane in historical circumstances. Lewin is still well considered even if he is not given full credit for his work. Several explanations for this research finding are as follows: one, Lewin was an exceptional man and scholar, whose rigor and pleasantness avoided negative feelings, and the second explanation is that Lewin's students helped to maintain his legacy. Nevertheless, Lewin still made certain mistakes that warrant examination in the little of recent research.

Conclusion

Lewin left a deep and lasting record on the field of management and psychology. He worked at a time when scholars were not bounded by profession nor blind to the problems of society. Despite the destruction of the old order, it was still possible for someone born during this time to remain confident about the ability of science, especially social science, to provide a new path for a better society. Yet Lewin's faith in both knowledge and humanity was a remarkable flame, one that was not extinguished by war, genocide, hatred, or economic depression. During Lewin's life, the fields of psychology, sociology, or management were launched and gained respect in the academic world, as well as business and government. No longer would bureaucrats and executives make decisions blindly, they would do so based on knowledge, verified through experiments.

Lewin was not just a passive observer to these events but an active participant in the development of knowledge. His accomplishments as a researcher and teacher developed new fields and redefined old ones. That Lewin did these accomplishments as an outsider, one with marginal appointments, and as a Jew at a time of extreme anti-Semitism, was a major accomplishment. It is right that Lewin's work is still read and taught today, both to undergraduates and faculty. Few scholars of this time period still continue to be more than a ceremonial cite, with Chester Barnard and Mary Parker Follett as most auspicious company.

Yet there was a deep sense of idealism in Lewin's writings that bordered on naivety. Some men, regardless of education or societal inducements, would continue antisocial behaviors. Lewin's Germany, despite having a highly educated populace, sunk into a barbarism not seen since the Middle Ages. Likewise, some people, regardless of the information provided, good intentions, or necessity, will not embrace change until the bitter end. Furthermore, change, especially in corporations, is often a signal that the corporation is in decline and will fall regardless of managerial actions. People are not as honest or rational than Lewin seemed to believe.

Cross-References

- ► Henry Ford and His Legacy: An American Prometheus
- ► Spontaneity Is the Spice of Management: Elton Mayo's Hunt for Cooperation
- ► Taylor Made Management

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Part VI

Postmodernism

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Postmodernism: An Introduction

27

Bradley Bowden

Contents

Abstract

This section of The Palgrave Handbook of Management History explores the origins of postmodernism as well as the seminal understandings of Paul-Michel Foucault, Jacques Derrida, and Hayden White. In doing so, this section highlights the marked differences in the thinking of these three philosophers, differences that are all too often overlooked by critical management historians. In the final analysis, this chapter argues, the fundamental differences between postmodernist and non-postmodernist historians revolve more around different understandings of freedom rather than different epistemologies. As disciples of Friedrich Nietzsche, Martin Heidegger, or Benedetto Croce, all three postmodernist philosophers that we consider advocated a complete freedom of individual will and being. In considering this call for absolute freedom, this chapter echoes Albert Camus's belief that absolute freedom is always tyrannical, just as absolute virtue is always homicidal.

Keywords

Postmodernism · Foucault · Derrida · Hayden White · Nietzsche · Camus · Heidegger · Historic turn

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On the Ignorance of Postmodernism's Origins and Principles

Postmodernism, rather than Marxism, is today the dominant ideology of the left, both within academia and without. Invariably, postmodernism in its contemporary iteration is not only rebellious of established authority. It is also aggressively secular. In the book that made his popular reputation, *Metahistory*, Hayden White (1973a: 331) declared that through a rewriting of history, one can bring about "new forms of community in which men might be . . . freed of the restrictions placed upon them by national states and churches." Such opinion, however, belies postmodernism's existentialist origins amid the coffee houses and bars along the Boulevard Saint-Germain during the 1940s, a time when French intellectuals and students became enamored of the German idealist philosophy of Friedrich Nietzsche, Edmund Husserl, and, above all, Martin Heidegger. In reflecting upon subsequent developments, Jacques Derrida (1987/1989: 3–4) lamented in *Of Spirit: Heidegger and the Question* how the central concept of a transcendental "spirit," which had occupied "a major and obvious place in his [Heidegger's] line of thought, should have been disinherited . . . No one wants anything to do with it anymore." Despite this disinheritance, none of the dominant strands of postmodernism – whether they owe a debt to Michel Foucault, Derrida, or even Hayden White – are fully comprehensible unless we understand their roots in German and, to a lesser degree, Italian philosophic idealism. Desirous of countering modern concepts of science and rationality without recourse to traditional Christian philosophy, idealist philosophy placed emphasis on matters relating to consciousness, individual being, and psychic freedom rather than material concerns such as economics, organizational efficiency, or profitable business endeavor.

Postmodernism's concern with matters relating to consciousness, individual being, and transcendental spirit is most obvious in the work of Derrida. Like Heidegger (1926/1962: 162), who believed that the essence of being, what he called *Dasein*, is "expressed in language," Derrida (1967a/1976: 65–66) believed that language contained within itself various "traces," the "psychic" imprints of "lived experience." Even within the nominally secular and even anti-religious philosophy of Foucault and White, however, the underlying foundations rest on philosophical concerns about consciousness and being. Like Nietzsche (1885/1990: 35), who advocated a "life-advancing, life-preserving, species preserving" freeing of the individual from all restraints, in which the individual is "beyond good and evil," Foucault (1966/1994: 330, 328) called for each individual to embrace the "unique" and "precarious existence of life," a world of thought and freedom in which "no morality is possible." If we turn to White, who drew inspiration from the Italian idealist philosopher and one-time fascist supporter, Benedetto Croce, a similar emphasis on individual consciousness and being is apparent. Like Croce (1915/1921: 66–67, 141), who believed that a "philosophy of history" should be "transcendental" – embracing the "particular" and "special" nature of each individual and each historical "event" – White (1973a: 371) called for the creation of "an *illusionary* world, outside the original word of pure power relationships." In this imagined world, where historical outcomes are "mediated by a uniquely human facility, consciousness," White (1973a: 371) argued that "the weak" are able to "vie with the strong for the authority to determine how this second world will be characterized."

If the various strands of postmodernism share a common emphasis on individual consciousness, being, and freedom, there are nevertheless profound theoretical differences within the genre, differences to which erstwhile disciples of Foucault, Derrida, and White all too often show a blissful ignorance, combining concepts in ways akin to mixing water and oil. Foucault, for example, regarded Derrida precepts with ill-disguised contempt. Derrida was, Foucault (1972/2006: 573) declared, "the most decisive representative, in its waning light" of a discredited "pedagogy" built around "the invention of voices behind the text," a charlatan who spuriously taught "the student that there is nothing outside the text." Derrida for his part was equally dismissive of Foucault's work. In critiquing Foucault's *Madness and Civilization*, for example, Derrida (1967b/2001: 49) accurately noted that "everything transpires as if Foucault knew what 'madness' means . . . The same kind of questions could be posed concerning the truth that runs through the book." There were also profound differences between the intellectual principles of Foucault and White. In terms of evidence, Foucault (1976/1978: 100, 13) advised his readers – even as he proclaimed that "it is in discourse that power and knowledge are joined together" – that research should start "from historical facts that serve as guidelines." By contrast, White declared that "Facts belong to speech, language and discourse, not to the real world" (cited Domanska 2008: 5). Indeed, in White's historiography the boundaries between the "real" and "imaginary" were ones that the historian needs to dissolve, rather than highlight. As White (2014: 47) expressed it in *The Practical Past*: "Fantasies of alien cultures in outer space and theories of parallel or antithetical universes" can be as "real" as a carefully constructed historical narrative.

When one turns one's attention from the foundational texts of postmodernism to what passes for postmodernist scholarship in management history, one all too often witnesses an abysmal ignorance as to the basic principles of the theoretical frameworks that are cited or to the differences between one body of postmodernist thought and another. Even worse is the tendency to cite some supposed expert(s), without discussing in any detail either the actual ideas of the erstwhile expert or the source of their postmodernist-informed ideas. Despite claims to "critical" scholarship, it is also the case that – all too often – any attempt at critical appraisal is abandoned, thereby allowing for the furtherance of confused postmodernist understandings to ever-wider audiences. In the case of Hayden White, for example – a self-declared postmodernist whom Rowlinson et al. (2014: 151) describe as "a leading philosopher of history" – I know of no "critical studies" academic in management history, business history, or organizational history who has discussed the two major controversies that beset White and his supporters. The first of these controversies, involving the existence of the Holocaust as either a factual or an imaginary event, saw Berel Lang (1995: 89) ask whether "historical narratives . . . are unfettered by anything more than the historian's imagination." In responding to this line of argument, White's close supporter, Hans Kellner (1998: 237), reiterated White's longtime argument that historical narratives are *always* the imagined creation of the historian and that, accordingly, the Holocaust was simply a rhetorical term, "an imaginative creation, like all historical events." In returning to debates about the Holocaust in *The Practical Past*, White (2014: 28–29) confronted the question as to whether the Holocaust was "true" by declaring, "this question . . . is of secondary importance to discourses making reference to the real world . . . cast in a mode other than that of simple declaration." If White's response to the Holocaust debate was hardly one of model clarity, he also never responded effectively to Dirk Moses's (2005) criticism that White and his supporters, in declaring history to "fictive" and "mythical," were blind to the ways in which mythical accounts of history justified "unspeakable atrocities" committed by "ethnic groups and nationalizing states." In response to this accusation, White (2005: 333) merely restated his core belief that "History's subject matter, that is, the past, is a problematic object of study . . . It is a place of fantasy."

The propensity to advocate postmodernist (mis)understandings through reference to some nominal "expert," without discussing the underlying ideas that inform them, is unfortunately evident on almost every front in management history. In a guest editorial in the *Journal of Management History*, entitled "Nurturing the historic turn: 'history as theory' versus 'history as method,'" Durepos and Van Lent (2019) constantly advanced postmodernist understandings. There were, however, no references to either Foucault or Derrida. The sole reference to Hayden White revolved around the statement that "stories" are "constructed around 'traces' of the past, which are the raw materials of the historian's discourse rather than the events themselves." Now, the concept of the "trace" – the idea that we look within a *pre-existing* text to find transcendental evidence of *previous* experience – *was* seminal to the work of Derrida (1967b/2001: 97–192) who, as he made clear in *Writing and Difference*, derived the concept from both Heidegger and Emmanuel Levinas. It was *not* a seminal feature of White's work, which emphasized instead a contrary position: that "history" is the imagined creation of the historian, whereas the past is "the realm of the dead" (White 2005: 333). Instead of citing foundational postmodernist texts, Durepos and Van Lent (2019) – as is now almost the norm among "critical" management historians – hold up as an exemplar the so-called "historic turn," an article penned by Clark and Rowlinson in 2004 under the title, "The treatment of history in organisation studies: Towards an 'historic turn'?". In advocating the "historic turn," Durepos and Van Lent (2019: 431) enthusiastically proclaim that it has "spawned a significant body of work that explores the usage of historically grounded research in the study of organizations."

What are the core premises of the so-called historic turn that currently acts as the touchstone for postmodernist-informed "critical" theory in management history? A superficial reading of Durepos and Van Lent, and like-minded articles, could easily lead one to believe that the so-called historic turn advocates a return to historical basics and to thesis testing and a careful scrutiny of historical evidence. A perusal of Clark and Rowlinson's article, however, reveals that this is far from being the case. Rather than embracing conventional understandings of history, Clark and Rowlinson called for their dismantlement. "The historic turn," Clark and Rowlinson (2004: 331) advised, "is part of a wider transformation that is alluded to in terms such as the 'discursive turn', deconstruction and post-modernism." Clark and Rowlinson (2004: 331) also declared that the "historic turn" involves "a turn to . . . historical theories of interpretation that recognize the inherent ambiguity of the term 'history' itself." If Clark and Rowlinson's article at least makes clear that an embrace of "post-modern" understandings is advocated, the reader is nevertheless left in the dark as to the underlying "post-modern" theories that are being embraced. Despite advising the reader that the "historic turn" is part of a "transformation" that includes textual "deconstruction," the article is devoid of references to Derrida, Levinas, or Roland Barthes, the central figures in "deconstructionist" theory. Despite advocating an "embrace" of "discursive" understandings, the article is bereft of direct references to Foucault. Instead, readers are pointed in the direction of an earlier article by Rowlinson and Carter (2002), entitled "Foucault and History in Organization Studies." In terms of the overall theoretical underpinnings of their article, Clark and Rowlinson (2004: 331, 347, endnote 2) primarily rely upon a book chapter by Brian Fay, published in 1998 under the title, "The Linguistic Turn and Beyond in Contemporary Theory of History." Only when we turn to Fay's chapter do we finally ascertain the theoretical underpinnings of the so-called historic turn. Associating the publication of White's *Metahistory* with a decisive "shift in the theory of philosophy of history," Fay (1998: 2) declared that with White's work "the topics of narration and representation replaced [theoretical] law and explanation as burning issues of the theory and philosophy of history." This shift, Fay (1998: 2) continued, brought "the poetics of history . . . to the fore" (i.e., history as poetic imagining).

As we note in our subsequent chapter, "Hayden White and His Influence," it is White rather than Foucault who is – despite the constant propensity to conflate postmodernist theories from diverse sources – arguably the dominant influence among critical management/postmodernist historians. Like White (1973a: 1–2), who argued in favor of "the fictive character of historical reconstruction," Rowlinson, Hassard, and Decker (2014: 257) declare "that there is a 'literary' or 'fictive' element in all historical . . . and scientific writing." Like White (1966: 115), who declared "that the historical consciousness must be obliterated," the late Alun Munslow (2015: 136) advised readers of *The Routledge Companion to Management and Organizational History* that "Meanings are fictively constructed. There are no lessons in the past." Like White (1968: 48), who believed that the historical narrative resembles the historical novel in being built upon metaphor and multiple interpretations, Jacques and Durepos (2015: 99) declare that "Our goal is to demonstrate that every story we could possibly tell is contestable." Despite the academic popularity of White's "liberation historiography" (Paul 2011), its proponents invariably resist the temptation to explain why they adopted this perspective over another or their opinion as to its all too obvious flaws. For, if as Jacques and Durepos (2015: 99) suggest "every story we could possibly tell is contestable," this means – as Lang (1995: 89) accurately observed – that the judgment as to whether or not a person existed "five minutes ago depends entirely on what historians . . . say about them."

If "critical" management historians are loath to acknowledge any opinion that is critical of their chosen intellectual mentor and guide, there is also a tendency to hop from one perspective to another while ignoring the problems this necessarily entails. In their article in *Academy of Management Review*, co-written with Stephanie Decker in 2014, Michael Rowlinson and John Hassard, for example, point to White as an exemplar (Rowlinson et al. 2014: 231). Three years later, in *A New History of Management*, Rowlinson and Hassard signed on to a rewriting of management history from a "Foucauldian" perspective (Cummings et al. 2017: 35). Now, to jump from White to Foucault is no mean feat. White believed that "history" is what it is imagined to be. By contrast, Foucault (1971/1984) argued that history is a contemporary discourse, a fusion of power and knowledge, within which each discourse boasts a unique genealogy. In other words, history in Foucault's opinion was not something that simply stems from the historian's imagination. Instead, it is something that emerges from the external world, from established social structures and the discourses that support them.

Despite the evident reluctance of Cummings et al. and other like-minded Foucauldians to admit the existence of flaws within their perspective, the weaknesses in Foucault's thinking have long been obvious to people who cannot be regarded – by any stretch of the imagination – as "conventional" or "traditional" historians or philosophers. The French existentialist philosopher, Jean-Paul Sartre (1966/1971: 110), for example, declared Foucault's work a "denial of history," accurately noting that – while Foucault provided an explanation as to how a dominant discourse existed in the present – he failed to explain "how each thought" or discourse is superseded, as people and cultures move from one set of beliefs to another. The result, Sartre (1966/1971: 110) concluded, was that Foucault replaced history as "cinema," a process of continuous historical events and motions, "with a magic lantern, movement by a succession of immobilities." As a Foucauldian-inspired historian, one might of course find reasons to counter Sartre's critique. Nevertheless, one surely should at least acknowledge its existence. This, however, is not what Cummings et al. (2017) chose to do in their "new" history of management.

Postmodernism and the Nature of Freedom

The postmodernist debate is central to our times in part because it speaks to the oldest debates in the human experience, disputes that revolve around the nature of freedom and the extent to which historical outcomes can be explained through reference to either the institutional character of a society or, alternatively, the free will of the individuals who comprise it.

Despite their many differences and flaws, Foucault, Derrida, and White were not only idealist philosophers; they also followed in the footsteps of Nietzsche, Heidegger, and Croce in arguing in favor of an untrammeled individualism. In the opinion of Derrida (1967a/1976: 10), the source of oppression resided deep within Western culture, in "phonetic writing, the medium of the great metaphysical, scientific, technical, and economic adventure of the West." Advocating a "Romantic" conception of history, White (1968: 52, 55) argued that the "individual" is almost always "the victim" rather than "the beneficiary" of society and that established "social institutions, ideas, and values" needed to be perceived as "bastions against the free expression of nature and individual human will." Foucault, for his part, focused on a wide array of oppressive social forces – *epistemes* and the "fundamental codes of a culture" (Foucault 1966/1994: xx), the ways in which "power and knowledge are joined together" through "discourse" (Foucault 1976/1978: 94), the "disciplinary" society with its "infinitesimal surveillances, permanent controls, extremely meticulous orderings of space" (Foucault 1975/1991: 308). In his first book, *Madness and Civilization: A History of Insanity in the Age of Reason*, Foucault (1961/1965: 9) also argued that through "reason's subjugation of non-reason," people have come to "communicate and recognize each other through the merciless language of non-madness," suppressing in the process "the lyricism of protest." Also supposedly lost was an appreciation of "desire and murder, of cruelty and the longing to suffer" (Foucault 1961/1965: 221). In *Madness and Civilization*, Foucault (1961/1965: 221) found special meaning in the writings of the Marquis de Sade, arguing that through de Sade's "words of unreason . . .man discovers a truth he has forgotten." For, Foucault (1961/1965: 221) added, "Sadism . . .is a massive cultural fact."

In the final analysis, the postmodernist quest is not dismissible due to either its internal contradictions or literary obtuseness. Nor are its epistemological positions, based as they are on a long tradition of European idealist thought, the key issue. Rather, postmodernism's validity stands and falls on its understanding of freedom, the belief that individuals become free when they are no longer constrained by institutional rules or cultural mores. Summing up Foucault's understanding of freedom, White (1973b: 50) accurately noted that "Foucault represents a continuation of a tradition of historical thought which originates in Romanticism and which was taken up . . . by Nietzsche in the last quarter of the nineteenth century." A similar comment was applicable to White himself and, to a lesser degree, Derrida. In considering the nature of freedom in *The Rebel*, the French existentialist philosopher, Albert Camus (1951/1978: 26, 47), concurred with White's assessment that Romanticism represented a fundamental rupture in Western thought, transforming rebellion from a physical act into a "metaphysical" quest for freedom, a quest that has "shaped the history of our times." Camus's study also prefigured Foucault in identifying the Marquis de Sade as the preeminent exponent of both metaphysical rebellion and total freedom. Declaring de Sade to be "the first theoretician of absolute rebellion," a person who was "centuries ahead of his time," Camus (1951/1978: 36, 46–47) argues the value of his thought lays in his revelation of the logical consequences of "the demand for total freedom," i.e., an unrestrained capacity for evil, a license to destroy whatever one wants. For, invariably, as Nietzsche understood, complete freedom of the individual involves empowering the strong over the weak, a world in which any would-be de Sade is free to perpetrate barbarities without fear of censure or restraint. This association of postmodernism with the ideas of de Sade may, at first glance, appear unwarranted. However, it was not only Camus who drew the connection between the demand for metaphysical freedom and de Sade. It was also, as we have just noted, central to Foucault's first book. Foucault, like de Sade, could see where the logic of his argument took him. He did not recoil from it.

If Foucault, like Nietzsche before him, never shied away from the logical consequences of his call for unrestrained freedom, Camus (1951/1978: 296–297) drew different conclusions in perusing the same textual positions, arguing that absolute freedom is always tyrannical, just as "pure and unadulterated virtue" is always "homicidal." At the end of the day, these are not idle issues. In embracing Derrida, Foucault, and White, postmodernist management historians are advocating an understanding of freedom that stands without acknowledged restraints. For the reader, the key question before them as they consider the chapters in this section must therefore be: Is this a conception of freedom that I also share?

Cross-References

▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
▶ Hayden White and His Influence
▶ Jacques Derrida: Cosmopolitan Critic
▶ Management History in the Modern World: An Overview
▶ Paul-Michel Foucault: Prophet and Paradox
▶ The Intellectual Origins of Postmodernism

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The Intellectual Origins of Postmodernism 28

Bradley Bowden

Contents

Abstract

Postmodernism is today one of the most powerful intellectual and social forces in Western society. Within postmodernist canon there is, however, considerable division. Jacques Derrida and his intellectual heirs among "deconstructionists" believe that texts can be reinterpreted to give voice to the excluded; a view that Michel Foucault viewed with disdain, arguing instead that knowledge comes from the "discourses" of various social groups. Given these fundamental divisions, what gives postmodernism both an internal unity and intellectual strength is the long traditions of critical thought that it draws upon. Some of these relate to the nature of knowledge. Others traditions of thought – most notably those associated with Friedrich Nietzsche – give a primacy to spirit, consciousness, and individual will over matters relating to material progress. Postmodernism also draws on a deep suspicion of the process of mechanization and industrialization that was heralded by the Industrial Revolution. The purpose of this introductory chapter,

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therefore, is one of tracing the diverse strands of thought that gave rise to postmodernism; an analysis that necessitates an estimation of the inherent strengths and weaknesses of the intellectual traditions that inform postmodernism.

Keywords

Postmodernism · Foucault · Derrida · Heidegger · White · Vico · Barthes · Levinas · Nietzsche · Plato · Saussure · Albert Mills · Rowlinson · Berkeley · Descartes · Lyotard · Rousseau · Taylor · Mayo

Introduction

Postmodernism is today one of the most powerful intellectual and social forces in Western society. In a world where the collectivist institutions of the past – churches, trade unions, consumer and producer cooperatives, class-based political parties – have lost social sway, the postmodernist focus on matters relating to identity, consciousness, and local manifestations of power has indubitable appeal. For those who take inspiration from Michel Foucault (1976/1978: 145), modern industrial societies are viewed as places of entrenched oppression: an oppression imposed through systems of "micro-power" that are found in each and every social circumstance, whether they be in the home, the school, or the workplace. Viewed from this perspective, social and political inequalities are maintained – and resisted – through the creation of "discourses," it being the case that in discourse "power and knowledge are joined together" (Foucault 1976/1978: 100). For those who take inspiration from Foucault's one-time student and long-term critic, Jacques Derrida (1967/2001: 251, 284–285), inequalities of power and understanding are embedded in the very structure of language; an outcome that demands a re-reading and reinterpretation of every text so as to rescue the voices of those who have been excluded from earlier tellings. Arguing along a different track, the work of Paul Ricoeur (2004: 448) – Derrida's one-time academic supervisor – informs us that our understandings of the past are typically the product of "manipulated memory" and "the ideologizing of memory." What unites these and other postmodernist critiques is their focus on the ways in which our understanding of "truth" and objective "reality" are all supposedly based – either in full or in part – on images, texts, and/or discourses that reflect the vested concerns of self-interested individuals and groups. By contesting these accounts we are, in the opinion of postmodernist canon, engaging in acts of resistance against "repression" and the "infinitesimal surveillances" that entrenches inequality (Derrida 1967/2001: 285; Foucault 1976/1978: 145).

Much of the appeal of postmodernism is found in the universality of its message. Oppression is everywhere. Oppression is primarily based on the control of knowledge, not on courts and police forces. Thus we are informed "facts" are "never innocent." They always serve some particular interest (Munslow 1997: 8). Accordingly, the de-legitimization of established authority must begin with the de-legitimization of established knowledge. As the Dutch postmodernist, Frank

Ankersmit (1989: 142), explained, “The postmodernist’s aim . . . is to pull the carpet out from under the feet of science and modernity.” Rooted in philosophic idealism, postmodernism’s starting point is not the objective world that we deal with in every waking second of our existence but rather with self, with how I represent that external world in my imagination, and how that representation is necessarily different from that suggested by other individuals and groups. This emphasis on self, and the contested status of knowledge and representation, also does much to explain the popularity of postmodernism in domains such as media and cultural studies; domains where accounts of reality are increasingly conveyed through individual Facebook and twitter accounts rather than through established media outlets.

As readers would no doubt be aware the appeal of postmodernism is not restricted to media and cultural studies. Rather, its adherents are found in every nook and cranny of academia. In most university business departments, there will be at least a sprinkling of postmodernists. Postmodernist-inclined thinkers also control an increasing number of academic journals. The journal *Management & Organizational History* was co-founded (and edited until 2013) by the prominent Foucauldian postmodernist, Michael Rowlinson. Currently, Rowlinson serves as Associate Editor of *Organization Studies*. At *Business History*, the preeminent journal in the field, Stephanie Decker, a frequent co-author with Rowlinson, is Associate Editor. At the *Academy of Management Review,* one of the most prestigious journals within academia, Roy Suddaby – whose critiques of business “rhetoric” have proved most influential – served as Editor from 2011 to 2014, having previously served as Associate Editor from 2008 to 2011. Postmodernist influence is also evidenced by a growing number of books that are redefining understandings of management and organizations. Prominent among these are: *Organizations in Time: History, Theory, and Methods* (published in 2013, and edited by Marcelo Bucheli and Daniel Whadwhani), *The Routledge Companion of* Management *and Organizational History* (2015 – edited by Patricia McLaren, Albert Mills, and Terrance Weatherbee), *ANTi-History* (2012 – authored by Gabrielle Durepos and Albert Mills), and *A New History of Management* (2017 – authored by Stephen Cummings, Todd Bridgman, John Hassard, and Michael Rowlinson).

Among both adherents and critics of postmodernism the commonalities that characterize its intellectual canons – that all knowledge is inherently subjective and amenable to multiple interpretations, that power and authority rest on the acceptance of particular viewpoints and interpretations, that language and/or discourse can be weapons of both oppression and resistance – cause many to assume that postmodernism represents a single, coherent body of thought. Accordingly, many combine conceptualizations that are diametrically opposed: a tendency that this author witnesses continually in his capacity as Editor-in-Chief of the *Journal of Management History*. There is a particular tendency to conflate ideas drawn from Foucault – most notably those relating to social “discourse” – with those inspired by Derrida, most significantly Derrida’s contention that language always contains “traces” of those that the author/s chose to exclude from their narratives. In truth, Foucault and Derrida came to view each other’s ideas with increasing scorn. In his *Writing and Difference*, for example, Derrida readily dismissed Foucault’s claims that he could ascertain the stance of the insane, the mad, and other marginalized groups. In a review that eviscerated Foucault's (1965) *Madness and Civilization*, Derrida (1967/2001: 40, 49) declared that the "maddest aspect" of Foucault's "project" was his claimed ability to write as if he "knew what 'madness' means." Foucault's claimed ability to ascertain the generalized understandings of social groups also caused Derrida (1967/2001: 66–67) to condemn Foucault's work for its "structuralist" and "totalitarian" tendencies. For his part, Foucault (1972a/2001: 573) regarded with incredulity Derrida's claim that he could ascertain "traces" of past existence in through a reinterpretation of texts. Such claims, Foucault (1972a/2001: 573) asserted, revealed Derrida to be "the most decisive representative, in its waning light," of a "pedagogy that teaches the student that there is nothing outside the text"; a pedagogy that allowed the researcher to engage in a spurious "invention of voices behind the text."

The bitter denunciations of each other's work by Derrida and Foucault reflect much more than a clash of egos. They reflect fundamentally different understandings as to how human being's comprehend their world. For Foucault, knowledge – be it *epistemes* that reflect shared understandings of an historical epoch or discourses that define particular groups – are *always* the creation of *groups*. As Foucault (1969/1972: 73–74) indicated in his *The Archaeology of Knowledge*, understandings reside within the "discourse itself," rather than in an assortment of individuals. Accordingly, intellectual and social conflict always manifests itself in a struggle for dominance by competing discourses; a struggle in which the competing groups talk about "the same things," place themselves "at the same level" and oppose one another "on the same battlefield" (Foucault 1969/1972: 126). For Derrida, by contrast, there was, as he famously declared in his, *On Grammatology*, "*Il n'y a pas de hors texte*" (there is nothing outside the text). What counts is not the social group but rather existence, individual "essence," "unconscious experience," "psychic" imprint; expressions of being that always left "traces" in writing that allowed the discerning reader to ascertain the relationship between "psyche, society, the world" (Derrida 1967/2001: 255, 185).

Foucault and Derrida's profoundly different understandings of knowledge and power – and of the purposes of academic inquiry – are indicative of how the thinking of each was shaped by fundamentally different philosophic influences. In the case of Foucault, his concern with how power and social behavior are shaped by competing discourses betrays the particular influence of the nineteenth century German philosopher, Friedrich Nietzsche (1895/1990: 187), who declared that, "Ultimately the point is to what end a lie is told." By contrast, the intellectual roots of Derrida's work – which sought to overturn the whole Western heritage of language and thought, or what Derrida (1967/1976: 10–11) referred to as the "de-construction" of the "logocentrism" and "phoncentrism" of the Western intellectual tradition – were very different. In countering the view that all languages have a defined structure that is embedded within a particular linguistic group, Derrida consciously sought to overturn the "structuralist" understandings of the early twentieth century Swiss linguist, Ferdinand de Saussure, drawing in the process on the work of Roland Barthes. A French semiotician, Barthes denounced the concept of the "author" as peculiarly "modern," fatally influenced "by English empiricism, French rationalism, and the personal faith of the Reformation" (Bathes 1984/1986: 49). Derrida's most radical arguments – which were associated with the view that discerning readers could detect traces of past existence within texts – were moreover taken in a largely unaltered form from the earlier work of Emmanuel Levinas and Martin Heidegger. Other postmodernist thinkers have been guided by even more idiosyncratic idealist schools of thought. Hayden White, for example, whose influence has rivalled Foucault in the English-speaking world, built his intellectual career around the work of the early twentieth century historian, Benedetto Croce (1915/1921) and the eighteenth century Italian philosopher, Giambattista Vico (1744/1968: 120), who argued that the advance of rationality and industrialized societies was associated with the loss of the "sublime" feelings and poetic thinking of pre-modern societies. To recapture this lost spirituality, Vico (1744/1968: 129–131) recommended organizing writing on poetic lines whereby plots were prefigured around literary "tropes," most particularly metaphor, metonymy, synecdoche, and irony; a suggestion that became a cornerstone of the postmodernist narratives of White (1976) and his imitators (see, for example, Curthoys and McGrath 2009).

To understand postmodernism we must, given its multiple intellectual influences, first examine the various strands of idealist philosophies that emerged during the long century of the European Enlightenment; a period of intellectual fervor that began in the middle decades of the seventeenth century and ended in the conflicts of the French Revolution. Yet, before we can even undertake this task, we must push the timelines for our analysis even further back, to the ancient Greeks and Plato. For in the opinion of Vico, Heidegger, and Derrida, the problems of the modern world stem not simply from the Industrial Revolution but from the ancient Greeks when, according to Heidegger (1926/1962: 9), an emphasis on "Scientific research" created a schism in human thinking, emphasizing reason at the expense of existential being. In endorsing "the revolution against reason," Derrida (1967/2001: 42) also found fault with the commitment of the ancient Greeks to phonetic writing. The problem, Derrida (1967/1976: 43) argued – as did Heidegger (1926/1962) before him – was that phonetic writing unnecessarily restricted the human imagination, thereby curtailing expressions of existence and being.

Through an exploration of the intellectual roots of postmodernism, it becomes manifest that postmodernist canon is opposed not only to modernity and inequalities of power and authority but to reason itself, to the very underpinnings of Western thought. In examining this commonality within the diverse and often conflicting postmodernist perspectives, this chapter undertakes three main tasks, each equating to a section within its text. In our first section, we trace the epistemological origins of the hostility of the post-structuralist school of postmodernism – associated with Heidegger, Levinas, Barth, and Derrida – to the very structure of Western language and thought. By contrast, our second section explores how the influence of Nietzsche and Vico affected the work of Foucault and White, and through their writings, the postmodernist understandings of discourse and the use of narrative writing. Finally, we explore how postmodernism – although an idealist school of thought – has taken up earlier objections to the advance of industrialization and modernity from outside idealist philosophy; a critical tradition within which the ideas of Jean-Jacques Rousseau remain preeminent.

Language and Knowledge: From Plato to Derrida

Hostility to the Western tradition of reasoned inquiry has long been a characteristic feature of the critical philosophic tradition that informs postmodernist thought. In his seminal study, *Time and Being*, Heidegger (1926/1962: 9), for example, argued that the root of humanity's problems – which he traced back to the suppression of existential being or what he referred to as *Dasein* – stemmed from the Western embrace of the Greek "concept of the *logos,*" whereby "reason" became the dominant factor in "discourse." Almost two centuries before Vico (1744/1968: 118) emphasized similar themes in his *The New Science*. By building our language and understandings around "abstractions" that are "refined by the art of writing," Vico (1744/1968: 118) suggested, "civilized minds" had become emotionally and spiritually dulled, "detached from the senses." Reflecting his placement within this tradition of hostility to rationality and science, Derrida (1967/2001: 278) likewise argued that Western societies had been heading down the wrong intellectual and spiritual path "at least since Plato."

At one level, the hostility of Derrida and his intellectual predecessors to the ancient Greeks in general and Plato in particular is paradoxical, given that it was in Plato's *The Republic* that a convincing argument emerged for the first time in favor of the view that we do not experience the world directly through the senses – as empiricist thinkers suggest – but rather through idealized representations in our imagination, or what Plato (c. 380 BC/2003: 336–339) referred to as "forms"; a terminology and understanding that has become a characteristic feature of postmodernism. As with current-day postmodernists who espouse an extreme skepticism of the idea that there is any such thing as objective "truth," Plato (c. 380 BC/2003: 345) highlighted the inherent unreliability of the mental "forms" created in our imagination by the senses, declaring that their "representation deals with something at third remove from truth." Where, however, postmodernists have used the fact that we understand the world through idealized representations (i.e., we categorize all beds as "beds," whatever their shape and degree of softness) to deny the possibility of verifiable truth, Plato argued a diametrically opposed position to which none in the postmodernist tradition would concur. For Plato's ultimate sin, from a postmodernist perspective, was his (Plato, c. 380 BC/2003: 205) belief that through the exercise of our reason we could ascertain "true reality" from the representations or forms conveyed in our imagination. This happy outcome, Plato (c. 380 BC/2003: 239) argued, stemmed from the fact that the human mind primarily deals with abstractions that are "invisible except to the eye of reason." Indeed, many of the concepts that inform our thinking – the geometrical forms relating to circles and triangles, political concepts such as democracy, and economic concepts such as value – do not exist in the material world. In thinking about such abstractions, Plato (c. 380 BC/2003: 239) convincingly argued, "The whole procedure involves nothing in the visible world, but moves solely from form to form, and finishes with form." In other words, although objective reality does exist it is given meaning by the categories into which we organize our thoughts.

If no postmodernist of any hue would endorse Plato's views about knowledge, it is also the case that those we think of as "poststructuralists"– most notably Derrida – have been equally opposed to Plato's thesis that language is primarily associated with verbal speech; speech which written text can never do more than provide an imperfect representation. On this front, it was Plato's *Phaedrus* that caused most ire; a work in which Plato (c. 370 BC/1972: 159) dismissed "written discourse" as being no more than "a kind of image" of "living speech." The problem with even well-written discourse, Plato (c. 370 BC/1972: 158) argued, is that it represents a dead form of language and thought, for "they go on telling you just the same thing forever." In his *Phaedrus*, Plato (c. 370 BC/1972: 124, 160) also provoked subsequent postmodernist hostility by arguing in favor of a "dialectical method" based upon a highly structured form of language; a structure that allowed the "scientific practitioner" to demonstrate a pathway towards "truth" through a careful delineation of the linkages between evidence and proof.

In the opening decade of the twentieth century the emphasis that Plato had placed on the importance of linguistic structure and verbal speech found powerful expression in de Saussure's (1915/1974) *Course in General Linguistics*, a study that provided the corner stone for the new discipline of semiotics. Like Plato, de Saussure (1915/1974: 27) believed that the act of speaking – what de Saussure referred to as *parole* – is the embodiment of "language" in its most dynamic state. By contrast, written text is an historical laggard, often recording archaic forms of language that no longer resemble spoken pronunciation (i.e., knight, receipt, etc.). Where de Saussure differed from Plato was in his emphasis on the deeply embedded structure of language. For in de Saussure's (1915/1974: 15, 8, 71–73) estimation, "language is a social institution," a "system" that is always "homogenous" in both "nature and application." Accordingly, once a linguistic "sign" is established (i.e., a feline animal is described as a "cat"), then it is beyond the capacity of an individual to change that meaning (de Saussure 1915/1974: 69).

From the outset the postmodernist tradition that is generally referred to as "post-structuralism" or "literary de-constructionism" has had the "structuralism" of de Saussure firmly in its sights. In doing so, post-structuralist adherents (and their intellectual predecessors such as Heidegger) have argued three fundamental points: that texts can (and should) be interpreted in ways different to that intended by the author; that written language is inherently superior to spoken words; that the scrutiny of texts can reveal "traces" of those voices previously excluded from the historical record.

In support of the first of these points – that texts can be interpreted in ways different from that intended by the author/s – poststructuralists argue that language, far from being "homogenous" as de Saussure believed, is in fact heterogeneous with every combination of words being subject to multiple interpretations. Among post-structuralists, the French semiologist, Roland Barthes, is arguably the best is making the case that there is often more than one meaning in language. Echoing themes that became a mainstay of Derrida's work, Barthes (1966/1987: 33) argued that the "first writing" of every work should be subject to "a second writing" by the reader. Through such a course, Barthes (1966/1987: 33) continued, new understandings of language could "threaten the power of power," "democratizing" the "literary state" with its "strict code" of agreed meanings. In another theme that became commonplace among postmodernists, Barthes (1984/1986: 49) argued that the "author" and their stated opinions should be excluded from textual interpretation so as to allow a new "plural meaning."

In its most radical iteration the post-structuralist emphasis on multiple linguistic interpretations causes them to deny any necessary connection between written words and linguistic "signs" (i.e., the use of written or verbal "signifiers" that designate an object that is "signified"). In this, poststructuralists such as Derrida went far beyond de Saussure's (1915/1974: 67) observation that there is no universally fixed connection between verbal *sounds* and the object being "signified," it being the case, for example, that the French and English language use different words – "cat" and "chat" – to describe the same feline animal. For while de Saussure (1915/1974: 69) accepted that different *linguistic groups* use a variety of terms for the same object, he also observed that within a given culture or group there was little variety, it being the case that "the individual does not have the power to change a sign in any way once it has become established in the linguistic community." By contrast, Derrida (1967/2001: 13) declared – in a formulation that become the second cornerstone of post-structuralist thought – that "language is born" only when it "is written" and is thus "deceased as a sign-signal." In other words, written text should not only be perceived as having an independent existence separate from speech, it is also the case that this written form of language is inherently *superior* to verbal expression. According to Derrida (1967/2001: 285) – and hence subsequent post-structuralist exponents – what made writing so valuable is that enables us to fully explore the "vigilance" and "censorship" that are a natural but largely unconscious feature of social exchanges. For although the author/s may not be aware of the intricate patterns of oppression that characterize human existence, it nevertheless remains the case that they unconsciously embed the underlying structure of their society's oppressive mechanisms in their writing, it being the case that, "Writing is unthinkable without repression" (Derrida 1967/2001: 285).

If Derrida and subsequent poststructuralists lifted the idea that writing texts are capable of many different interpretations from Barthes, so it is the case that the key concept of "trace" was obtained from Emmanuel Levinas: an author who derived his understanding from Heidegger, who was in turn influenced by another German idealist philosopher, Edmund Husserl (see, Derrida 1967/2001: 97–192). According to Husserl (1913/1983: 35, 149–150) the fundamental failings of human understanding stemmed from a reliance on the "misunderstandings and prejudices" of empirical research; prejudices that led to the constant "excluding" of the "pure consciousness" that was the true well-spring of all human endeavors. In developing this emphasis on consciousness and exclusion, Heidegger (1926/1962: 29, 35) argued that every attempt to reveal one aspect of existence or a phenomenon – a word which he noted came from Greek verb "to show itself" – entailed the "covering-up" of other manifestations of existence. From these formulations, Levinas enunciated the idea that "traces" of past existence could be ascertained in language. As Levinas (1957/1987: 102) – who had completed his PhD on the work of Edmund Husserl in 1930 – explained it in his *Meaning and Sense*, "trace" is like a face behind a mask. We always know a face must be behind a mask as "a mask presupposes a face." Building on this analogy, Levinas (1957/1987: 103) developed formulations that prefigured those of Derrida, suggesting that detection of "traces" allowed researchers to ascertain "an immemorial past," and even "perhaps eternity" (i.e., there is no limit to the meanings that one can detect hidden within texts). Grasping Levinas's concept of "trace," Derrida (1967/2001: 66) in turn used the concept to underpin his argument that a textual presence always prefigures "difference," or to be more exact, "déférence" (from the French, "déférer"). According to this formulation, textual presence exists alongside a referred absence; an absence that can be ascertained by the reader undertaking the "second writing" that Barthes recommend. As each individual reader can theoretically discern a very different understanding within a text to that of their fellow readers, the application of the concepts of "trace" and "déférence" means that any given written passage is subject to a myriad of alternative explanations.

The arguments made by Derrida, Barthes, Levinas, and their intellectual heirs have attracted both intellectual brickbats and bouquets. In 1996, Mario Bunge (1996: 97), a Canadian philosopher, dismissed the deconstructionist references to "Being" and "trace" as "gobbledygook" and "unrecyclable rubbish." More than 30 years earlier, Raymond Picard (cited Barthes 1987: 29), a doyen of the French literary establishment, declared Barthes and his colleagues in the "New Criticism" movement to be "intellectually empty, verbally sophisticated" imposters who owed their success solely to intellectual "snobbery," wherein being incomprehensible was seen as a virtue. The fact that such criticisms were made 30 years apart, and could be made with equal force today, is an indicator of the longevity of the literary "post-structuralism" or "deconstructionism" that Derrida and Barthes initiated in the 1950s. Perhaps the most enduring legacy of this school of postmodernist thought is found in a changed research focus among broad swathes of the Western intelligentsia; a shift that has seen *reinterpretation* of texts and other signs (i.e., American Civil War monuments, statues commemorating New World "discoverers," visual art, etc.) gain increasing primacy. In postmodernist theory, this profound shift is described as "horizontality" – rather than "verticality" – of interest (Ankersmit 1989: 145–146). In other words, one no longer needs to – or should – look downwards (or outwards) at the objective reality of the world; a focus that leads to "primary sources" (e.g., statistics on employment, consumption, company profits, etc.). Instead, one should look sideways, at what has already been written or physically recorded by others. The reason for this, as the Dutch postmodernist, Frank Ankersmit (1990: 281), explains, is that, "Texts are all we have and we can only compare texts with texts." In short, nothing exists before it is recorded in some form of "writing." So-called reliable primary sources are, in this line of thinking, mere manifestations of past and present structures of power and inequality.

Superficially attractive and capable – as events have proved – of mass appeal, the fundamental failing of the post-structuralist/deconstructionist strand of postmodernist theory is found in the artificial rupture that it creates between objective reality and the written record. This failing is evident in the theorem of Ankersmit cited in the previous paragraph, where it is asserted that "we can only compare texts with texts." For the assumption here – which is characteristic of this strand of postmodernism – is that "texts" only exist in the form of deliberately created records, i.e., archives, diaries, journals, newspaper articles, and the like. In these *particular* forms of written evidence there is merit – as historians and others have recognized for generations – in the argument that one needs to very aware, as the "amodernist" authors Durepos and Mills (2012: 39) note, of "the role played by the interests of knowledge creators." There is, however, a very *different* type of written evidence that allows us to compare texts with material reality, instead of matching texts against texts; a type of evidence that was *never* designed for the purpose of shaping present or future interpretations of the world. This type of evidence – which includes production figures, sales, payments to employees and suppliers, shipping volumes, school attendance, hospital admissions, etc. – typically comes, moreover, at a significant cost to its producer. A wheat farmer, for example, is not likely to regularly book and pay for the use of railroad freight wagons simply for the purpose of manipulating future images as to the success of their business venture.

It is by constantly cross-referencing textual records against statistical evidence of material outputs that we can – most particularly in business and management – break out of the circularity of research to which adherents of post-structuralism/deconstructionism are condemned. By pursuing a "verticality" rather than a "horizontality" of research, in which we constantly look outwards or upwards to the material world that sustains our existence, we can also avoid the gross errors of fact that are an all too common hallmark of postmodernist research. Evidence of this postmodernist predilection for getting their facts wrong is readily found in the recent *A New History of Management*, where the authors (Cummings et al. 2017: 179) endorse the statement that, "millions of people are now facing radically reduced living conditions because of the actions of a few," as evidence of failed corporate behaviors. In truth, corporate behavior and private enterprise have in recent decades rescued hundreds of millions, if not billions from poverty and suffering. As the World Bank's (2017a) record of global food production indicates, since 1961 the world's food output has risen at almost twice the pace of population growth with the most rapid increases occurring in the developing world. Since 1991, global Gross Domestic Product per capita (measured in terms of purchasing power parity) has increased by more than 50%. In the United States, the Euro zone, and across the world as a whole, the level of per capita income has never been higher than it is today (World Bank 2017b). The level of extreme global poverty has also fallen precipitously. Whereas 42.1% of the world's population lived in extreme poverty in 1981, in 2013 only 10.2% experienced such a state of misery (World Bank 2017c). In the developing world, as the most recent report of the United Nation's Secretary-General, Antonio Guterres (2017: 23), makes clear, literacy and attendance at school – rather than endless toil – are now the norm for preadolescents. Even in sub-Saharan Africa, historically a laggard, 80% of children were attending school in 2015. In short, far from it being the case – as the authors (Cummings et al. 2017: 179, 177 of *A New*

History of Management) constantly assert throughout their book – that modern management is associated with "reduced living conditions," "unprecedented crises," and a myopic "narrow focus," in truth it is the case that managerial endeavor has been associated with the delivery of increased wealth and opportunity to unprecedented numbers.

Power and Discourse: From Nietzsche to Foucault and White

Among postmodernism's founding figures Foucault was the most structurally-inclined, his early work being described by Gibson Burrell (1998: 17) – himself a postmodernist – as "quasi-structuralist." In making this observation as to the early work of Foucault, Burrell clearly had in mind Foucault's discussions of language and culture in *The Order of Things*; a work in which Foucault (1966/1994: xx) claimed to have discovered the key to the "fundamental codes" of culture. It is, however, Foucault's constant concern with power and uses – which is apparent in his first major work, *Madness and Civilization*, as it is in this latter works – that provides the clearest proof of "structuralist" influences on his thinking. Of particular influence was his early mentor and life-long friend, Louis Althusser, the French Marxist who in the early 1950s persuaded Foucault to join the French Communist Party (he soon left). It is certainly the case that many of Althusser's understandings – that capitalism exerted its power mainly through its command of ideas; that authority and resistance existed alongside each other in the various institutions of power; that in asserting dissident ideas an intellectual is engaged in transformative struggle – appear in various guises in the work of not only Foucault but also Jean-Francois Lyotard and other postmodernists (see, Althusser 1970/1977, for a concise summary of his work). Similarly, a central theme of the "mature" Foucault (1976/1978: 100), "that knowledge and power are joined together," would not sit out of place in any of Althusser's later works.

Given the similarities between Foucault's work and that of not only Althusser but also the so-called Frankfurt School of neo-Marxism (Herbert Marcuse, Jürgen Habermas, Max Horkheimer, Theodor Adorno) – similarities that often cause critics to wrongly dismiss postmodernism as just another form of Marxism – what explains Foucault's profound and continuing influence? Arguably, the key factor in Foucault's enduring influence – obtained despite the often sloppy nature of his empirical research, and his typically convoluted and opaque writing style – is found in his willingness to see power and oppression in terms that went far beyond the Marxist class-based approach. Instead, the concept of exclusion is made the center point for Foucault's analysis. According to Foucault, exclusion was, moreover, largely based on unwritten cultural and social mores rather than class or work-based relations; mores that oppressed women, racial, and religious minorities, homosexuals, and the mad as well as those possessed of a generally nonconformist orientation. Everywhere, Foucault (1975/1991: 308; 1976/1978: 145) suggested, modernity had created a humanity surrounded by "institutions of repression, rejection, exclusion, marginalization"; institutions that subject all those whose behaviour runs counter to society's "power of normalization" to "infinitesimal surveillances, permanent controls, extremely meticulous orderings of space." In contrast to Marxists, Foucault (1976/1978: 92–94) linked oppressive "power" *not* to "a general system" but instead to a myriad of manifestations where oppressive power is "everywhere," "exercised from innumerable points." In all such circumstances, oppression – be it physical or psychological – is grounded in the discourses that legitimize power and compel obedience. This means, Foucault (1976/1978: 85) continued, that, "All the modes of domination, submission, and subjugation are ultimately reduced to the effect of obedience." This Orwellian conclusion also means that disobedience can only manifest itself in significant form if it too is grounded in discourse. Fortunately, Foucault (1976/1978: 95–96) would have readers believe, points of resistance – and alternative discourses – are also found "everywhere," producing "swarm points" that traverse "social stratifications," "fracturing unities."

In one of the earliest reflections in the English-speaking world upon Foucault's work, Hayden White (1973: 50), who was himself to become one of the dominant postmodernist theorists, observed that Foucault's work represented "a continuation" of the romantic and idealist opposition to modernization that found its fullest expression in the work of "Nietzsche in the last quarter of the nineteenth century." To the novice reader, however, the connection between Foucault's later work, marked by calls for resistance to all forms of micro-power, and Nietzsche is by no means obvious. This is, after all, a philosopher whose disdain for common humanity was all-pervasive, declaring variously that "liberal institutions" only benefit "the herd animal" (Nietzsche 1889/1990: 103); that we should not "write history from the standpoint of the masses" who are "the lowest clay and loam layers of society" (Nietzsche 1874: 39); "that evil is man's best strength. Men must grow better and more evil" (Nietzsche 1883/1970: 39). There are, nevertheless, three aspects of Nietzsche's work that make him not only postmodernism's natural progenitor but also a key figure in Western philosophy more generally. First, prior to Nietzsche, idealist philosophy – which gave primacy to matters relating to consciousness and spirit rather than material circumstance – was invariably espoused by those with a religious bent. George Berkeley, for example, who articulated the most radical and far-reaching form of idealist philosophy in his *Principles of Human Knowledge* – in which he declared that the only thing we could be certain of was our own "ideas" created by what we "call mind, spirit, soul" (Berkeley 1710/1996: 24) – was a Bishop in the episcopalian Church of Ireland. Georg Hegel (1837/1962: 36), a dominant figure in German idealist thought, believed that "the History of the World" was subject to God's divine plan; a plan that "philosophy strives to comprehend." With Nietzsche, however, these religious underpinnings are decisively rejected. Not only was Nietzsche's thinking utterly secular, it also regarded all forms of religion – but most particularly Christianity – with complete hostility. "From the start," Nietzsche (1886/1989: 60–61) wrote in *Beyond Good and Evil*, "the Christian faith" has entailed "a sacrifice of all freedom, all pride, all self-confidence of the spirit; at the same time, enslavement and self-mockery."

Having cut idealist philosophy from its religious moorings, Nietzsche also differed from his idealist forebears in approaching matters relating to evidence, proof, truth, and the like with studied indifference rather than the thoughtful skepticism that had characterized the work of Berkeley (1710/1996) and Descartes (1641/1991). In Nietzsche's view, what counted in research was not whether an argument was based on fact or illusion but rather how it can be used as a spur to action. For "all great things," Nietzsche (1874: 28) observed, "never succeed without some delusion." As most readers would be aware, the Nietzschean disregard for the borders that separate fact and fancy is now one of the characteristic features of postmodernism. "Truth and knowledge, from the Foucauldian perspective" – so Mckinlay and Starkey (1998: 1) advise – are not objective categories but are instead merely the "weapons by which a society manages itself." More recently, the authors of one of the lead articles in *The Routledge Companion to Management and Organizational History*, similarly announced their rejection of "positivist factual truth-claims" (Novecivic et al. 2015: 13). Elsewhere, in the *Academy of Management Review* – one of the most prestigious in management academia – we are informed that, "Objectivist history" (i.e., one guided by facts) "is clearly inimical to the kind of reflexivity that would be required to counter the impositionist objection" (i.e., one based on factual evidence) "to narrative" that has a "literary" or "fictive" emphasis (Rowlinson et al. 2014: 254).

The third and arguably most significant Nietzschean contribution to postmodernism – and indeed to philosophical and political thought more generally – is found in its unrivalled emphasis on individual will, consciousness, and identity. In Nietzsche's (1889/1990: 59–60) view, the only factor of note in any human endeavor – be it politics, economics, or war – is the individual human will. Every other explanation represents "a false causality"; a falsehood that seeks to not only deny the power of individual will but also constrain it. Accordingly, there is nothing more important, Nietzsche (1883/1970: 62) argued that "the Self" which, if unencumbered by morality and other societal restrictions, "subdues, conquers, destroys" all before it. Among the many evils that Nietzsche (1895/1990: 127) saw as imposing unnecessary constrains on the individual, "will to power" was the idea of "progress," which he condemned as "a modern idea," a "false idea." Due to the stultifying effects of industrialization, urbanization, and "higher education," Nietzsche concluded (1889/1990: 105, 67) the mass of the population across the "entire West" had been stripped of their spiritual freedom, being "weakened" and reduced to the status of "sickly beasts." Only by rejecting all of the institutional constraints of modern society – democracy, religion, morality, liberalism – could the individual "will to power" be revived (Nietzsche 1889/1990: 75, 103; 1883/1970: 137).

As with his studied disregard for the concept of truth, Nietzsche's hostility to societal restraints on individual being and will has become central to postmodernist canon. Like Nietzsche, Foucault (1976/1978: 140) in the first volume of his *The History of Sexuality*, also linked the advance of industrialization and modernization with "an explosion of numerous and diverse techniques for achieving the subjugation of bodies and the control of populations." Like Nietzsche, Foucault (1976/1978: 143) associated the West's material progress with a curtailment of identity and spirit.

Whereas for "millennia" the human "living animal" had voluntarily come together in "a political existence," it was now the case that the mechanism of political power placed "existence as a living being in question." Central to these new mechanisms of control was what Foucault (1976/1978: 141) referred to as the harnessing of "bio-power" (i.e., the manipulation and control of sexuality and psychic identity) and its "controlled insertion" into "the machinery of production." Such mechanisms of oppression, so Foucault would have us believe, effected the rich at least as much as the poor. Indeed, Foucault (1976/1978: 120) argued, it was "the economically privileged and politically dominant class" which first suffered the effects of the new "rigorous techniques" for control of being and identity.

Although there is no gainsaying the fact that Foucault was by the early 1970s a clear and obvious disciple of Nietzsche, it is also evident that his embrace of Nietzschean principles was restricted by his ingrained "quasi-structuralist" modes of thought. Whereas Nietzsche regarded any commitment to truth and evidence with disdain, Foucault espoused contradictory positions. On the one hand, he argued that "knowledge" and understanding emerged not from experience, from an objective and verifiable reality, but from "discursive formations" that expressed the views and prejudices of particular social groups (Foucault 1969/1972: 32–33). Conversely, he also argued in favor of "starting from historical facts" (Foucault 1976/1978: 13). That the latter view was not an idle slip is indicated by his bitter – and detailed – refutation of Derrida's "deconstructionist" approach in 1972. In this repudiation, Foucault (1972b/2001: 575–576) rejected with scorn the idea that "all knowledge" and "all rational discourse" had to be reinterpreted through a philosophic lens. Instead, Foucault (1972b/2001: 576–577) emphasized how his research, through a long series of careful empirical investigations, had demonstrated that there are always "conditions and rules for the formation of knowledge"; rules to which "any philosophical discourse is subject." Seen from a Nietzschean perspective, the problem with this view is that it accepted as an inevitable part of the human condition the restraints that Nietzsche saw as crippling for the individual "will to power."

If Foucault's "quasi-structuralist" intellectual baggage restricted his embrace of Nietzsche's precepts, such restrictions did not impede Hayden White, whose 1973 study *Metahistory* can claim a level of influence within postmodernist canon that rivals anything penned by Foucault himself. Writing in 1989, Ankersmit (1989: 142) declared White's *Metahistory* to be "the most revolutionary book in the history of philosophy over the past twenty-five years." Almost a decade later, Brian Fay (1998: 1) declared that through White's understandings "an entire generation of historians was educated to theory and metatheory in a way no previous generation was." Similarly, in 2012 the critical management theorists, Gabrielle Durepos and Albert Mills (2012: 84), declared that – although Foucault "broadly influenced cultural theorists" – White was profoundly responsible for "redirecting scholars from a focus on *truth* toward a postmodernist emphasis on the socially constructed nature of the *historical* form."

Unlike the contradictory positions espoused by Foucault, White's Nietzschean break from the idea of verifiable truth was to become a consistent theme in his work. In his most influential study, *Metahistory*, for example, White (1976:

372–373) declared that the objective in any narrative should be to dissolve "the authority of all the inherited ways of conceiving." Consequently, he continued, "Historical representation becomes once more all story, no plot, no explanation, no ideological implication at all – that is to say, 'myth.'" The only problem, White (1980: 10) argued in a subsequent study, comes when one treats "real events" as if they had some objective truth. Instead, we need to dismiss the idea that there is a "distinction between real and imaginary events." Accordingly, we need to think of the "real" as simply "referents" in a discourse, something that is "spoken about" but not allowed to dominate the story (White 1980: 8). By pursuing this path, White (2005: 333) later advised, "history"– and by implication other social sciences – can be transformed into "a place of fantasy" where any outcome is possible. If forced to choose between two competing discourses, we are, therefore, best guided not by which of the two is more accurate but rather by "ethical" or "moral" judgments (White 1973: 26, xii). By creating this morally superior "illusionary world," White (1973: 371) urged authors to initiate "a process in which the weak vie with the strong for the authority to determine how this second [illusionary] world will be characterized."

If White and his intellectual heirs among today's postmodernists clearly owe a debt to Nietzsche the key to White's success lay in marrying a Neitzschean conceptual framework with a narrative style that self-consciously reflects the influence of the eighteenth century idealist philosopher, Giambattista Vico. As we noted in the introduction to this chapter, Vico (1744/1968: 120) argued that prior to the numbing effects of civilization, people possessed "vast imagination"; an imagination that was "entirely immersed in the senses, buffeted by the passions." In this primeval state, humanity produced "sublime" poetic fables, of which Homer's the *Iliad* was "first in the order of merit." As civilization advanced, Vico (1744/1968: 128) argued, all that was left were literary "tropes" and "metaphors" that provided a remnant existence of an older, more spiritual way of perceiving the world. Such "tropes" and "metaphors" were, therefore, not "ingenious inventions" of writers but were instead an inherited link to "the first poetic nations" (Vico 1744/1968: 131). By strengthening the role of "metaphor" in language we could, so Vico (1744/1968: 118) believed, recapture something of the "vast imagination" that civilization had stripped from us.

All of Vico's conceptualizations were embraced by White, subsequently becoming part of the postmodernist mainstream. According to White (1973: x), the researcher who constructs a narrative should perceive their study not as a work of science but rather as "an essentially *poetic* act" [emphasis in original]. Further, as the purpose of such research is *primarily* inspirational, it must have as its main focus "felt needs and aspirations that are ultimately personal" (White 1973: 283); a suggestion that leads towards narratives built around personal experiences premised on racial, religious, sexual, and social identity. White's concepts were also notable in contributing to a postmodernist displacement of the "Scientific Attitude" with the so-called Rhetorical Attitude; or what Alvesson and Kärreman (2000:144–145) refer to as "grounded fictionalism." Associated with what is variously referred to as the "linguistic" or "discursive" turn in the social sciences, the "Rhetorical Attitude" perceives all knowledge as essentially ideology, mere devices for both maintaining and challenging power.

The idea that there is no objective reality appears to have merit as long as one deals with abstractions. It collapses when one is faced with matters of indisputable fact such as the Holocaust of World War II that saw millions die in Nazi death camps. The problems that such historical events cause for the historical relativism of White was demonstrated when one of his adherents, Hans Kellner (1994: 140), published an article in *History and Theory* that concluded that the Holocaust, "like all historical events . . .was an imaginative creation," that events at Babi Yar (a Ukrainian gully where thousands of Jews were executed) and Wannsee (the site where Nazi officials decided upon the "Final Solution") had no meaning until "they were imaginatively constituted." Though certain individuals may have witnessed horrors, Kellner (1994: 132) continued, "no one witnessed the Holocaust" as this concept was only a post-event literary imposition. In responding to Kellner's points, White (1994: 52) side-stepped the epistemological issues raised, arguing that the Holocaust was a problem of "modernism" and that "the best way to represent the Holocaust and the experience of it may well be a kind of 'intransitive writing'" (i.e., writing that does not have a direct object). In taking the stance he did, however, Kellner was – as he correctly observed – operating in accord with well-established postmodernist principles. If one was to make a "special" case for accepting accounts of the Holocaust as objective, Kellner (1994: 139) noted, then why would researchers not extend exception to all other historical occurrences?

Modernity and Postmodernism: From Rousseau to Lyotard

Although the term "postmodernism" has become associated with a whole body of knowledge that is critical of modernity, in its original meaning – as articulated by Jean-François Lyotard (1986) in *The Postmodern Condition* – the term referred to humanity's current condition. In this study, and in his subsequent *The Inhuman* (Lyotard 1991), Lyotard associated postmodernity with transformations that exacerbated detrimental trends that had been initiated by the launch of the Industrial Revolution in the eighteenth century. With the mechanization and "computerization" of virtually every aspect of employment and work, Lyotard (1986: 63, 51) argued, the mass of the workforce had become subject to a regime of "terror," ruled by "technocrats" who oversaw a "dehumanizing process" in which those who cannot speak the idioms of science are economically excluded. With the "generalized computerization of society," moreover, even previously autonomous "institutions of higher learning" (Lyotard 1991: 5) found themselves within the maw of an oppressive "performativity principle." Although, Lyotard (1986: 47) argued, capitalism had historically legitimized itself by promising liberation "through science and technology," this process is accentuated in the postmodern condition as ever increasing "efficiency" provides a "self-legitimizing" circularity; a process in which the successful achievement of improved efficiency only encourages a greater emphasis on efficiency.

Part of reasons for the success of postmodernism and its depiction of the process of modernization as one of human degradation is that it resonates with a long tradition of literature and thought: a tradition that can be traced back through Nietzsche, the English Romantic movement and others to the dawn of the Industrial Revolution. Many of those images evoked by this tradition still maintain their hold over our imagination. As readers would be well aware, Mary Shelley's *Frankenstein*, although first published in 1818, remains a Hollywood favorite. In this tale of warning the young Swiss scientist, Victor Frankenstein, falls under the thrall of science's promise after his chemistry lecturer declares that "modern" scientists had obtained the key that enabled them to "penetrate into the recesses of nature, and show how she works in her hiding-places . . . They have acquired new and almost unlimited powers; they can command the thunder of heaven, mimic the earthquake" (Shelley 1818/2005: 49). If we move further back in time to the opening decades of the Industrial Revolution, William Blake's (1796: 12) *Songs of Innocence and Experience*, first published in 1794, confronts us with the image of dark Satanic mills and of "thousands of [chimney] sweepers . . . all of them locked up in coffins of black."

In the long tradition of literary and philosophic opposition to the process of modernization from which postmodernism draws sustenance it is arguably the case that the most powerful critiques stem from the work of the pre-revolutionary French political philosopher, Jean-Jacques Rousseau. Although Rousseau (1762/1950: 1) is best known for the opening words of his *The Social Contract*, where he observed that, "Man is born free, and he is everywhere in chains" from the beginning to end of his career he also remained a powerful opponent of modernization with its cities, factories, and new modes of work. In his early *A Discourse on the Arts and Sciences*, Rousseau (1750/1950: 146, 172) cast scorn on the view that the "miracles" of science and associated technological progress added "to our happiness." Five years later, in *A Discourse on the Origin of Inequality*, Rousseau (1755/1950: 215–216) argued that a "natural state" – whereby humanity lived a "rustic" life where people "were satisfied with clothes made of the skins of animals" – was "altogether the very best man could experience." By contrast, Rousseau regarded the increased urbanization that industrialization entailed with a mixture of disdain and horror. "Cities are the abyss of the human species," Rousseau (1762/1979: 59) declared in his greatest work, *Emile*, where he added that, "Men are not made to be crowded into anthills . . . The more they come together, the more they are corrupted." Rousseau also regarded the expanded use of new technologies and machines with particular concern, observing (Rousseau 1762/1979: 176–177) that, "By dint of gathering machines around us" that were ever "more ingenious" so it is that "the cruder and more maladroit our organs become."

Among all of the developments which Rousseau observed in association with the nascent industrialization of his times, it was, however, the division of labor that caused him greatest concern. "Do you not see that in working" a laborer "exclusively for one station," Rousseau (1762/1979: 194) asked his readers, that "you are making him useless for any other," If employers and society continued down this path with regard to the division of labor, Rousseau (1762/1979: 194) prophetically warned, society would find itself "in a state of crisis" and an "age of revolutions."

As is self-evident, not only was it the case that Rousseau's warnings with regard to the increased division of labor fell on deaf ears, so it was that this mode of work organization became the cornerstone of industrial and managerial advance, Adam Smith (1776/1999: Book 1, Chap. 1, para. 1) famously opening *The Wealth of Nations* with the observation that: "The greatest improvement in the productive powers of labour . . . seem to have been [caused by] the effects of the division of labour." With Frederick Taylor and his famed (or infamous depending on your viewpoint) *The Principles of Scientific Management*, conceptualizations relating to the division of labor were incorporated into an integrated system of management around Taylor's (1911/1967: 25) maxim that – for each task – management had to decide upon and implement the "one best method" For many in business and management, Taylor's precept opened the door to increased prosperity and shorter hours of work, the noted manager researcher, Peter Drucker (1955/1968: 337) declaring "scientific management" to be one of "the most lasting contributions that America has made to Western thought." For at least equal numbers, however, the division of labor and increased managerial control of the work process has been perceived in Rousseau-like terms. Elton Mayo (1933: 165, 172), for example, widely regarded as the founding figure of the discipline of human resource management, warned that the "modern condition" often manifested itself in "social disorganization," "personal maladjustment," and a sense of "personal futility." Similarly, in a work subtitled *The Degradation of Work in the Twentieth Century*, Harry Braverman (1974: 120–121) – in effectively gave birth to the subdiscipline of "labor process theory" – declared that "Modern management," having "come into being" with Frederick Taylor and his "principles of scientific management," worked to reduce individuals "to the level of general and undifferentiated labor power."

Given the long history of concern that the embrace of the division of labor and workplace efficiency as primary goals is leading society – as Rousseau warned – into "an abyss," a perpetual "state of crisis," so it is that many postmodernists in management and organization studies boast previous academic careers in "labor process theory"; figures who include Mick Rowlinson (co-founder of the journal, *Management & Organizational History*), Rowlinson's frequent co-author, John Hassard, Stewart Clegg and Gibson Burrell (see, for example, Rowlinson 2015: 70–80). Accordingly, what we see in their work is a merging of the Rousseau/Braverman hostility to the division of labor with a Nietzschean/Foucauldian/Lyotardian belief that retrograde developments in the realm of work correspond to an increase in oppressive societal arrangements more generally. As Clegg (1998: 36) explained, "control via discipline first develops not in the factory, but in the various state institutions. Capitalists masters adopt it from prison masters, from beadles, and superintendents of asylums." For Rowlinson and Carter (2002: 540), the detrimental effects of the system of disciplinary control are found not just in the performance of workplace tasks but also in the "boring and shitty bureaucratic organizations" in which most of use spend our active lives. In the view of Burrell (1997: 139), the Nazi concentrations are just but an extreme if logical extension of the deeply embedded systems of disciplinary control that characterize our world. In consequence, Burrell (1998: 21) subsequently continued, "the despotic character of the disciplinary mode of domination is built into the heart, the essence of contemporary society and affects the body of the individual, of whatever class, at the minutest level."

There is no doubt, as the postmodernist theorists in management and organizational studies assert, that power and disciplinary control are an integral part of modern life, just as they were in previous epochs. It is also indubitably the case that many of these manifestations are objectionable to any right-thinking person. What is generally overlooked in the postmodernist depictions of disciplinary power and oppression, however, is the fact that repressive arrangements are very poor substitutes for the societal and workplace cooperation that is the true bedrock of our industrial world. Even if we turn to Frederick Taylor's (1911/1967: 26) *The Principles of Scientific Management*, a work which arguably puts the most forceful case for the "division of labor," it is evident that Taylor saw employee-management cooperation as laying at the heart of any system of productivity improvements, observing that, "close, intimate, personal cooperation between management and the man is of the essence of modern scientific or task management." It would also appear no accident that the successful advance of firms and societies since the dawn of the Industrial Revolution has been associated not only with market-based economies but also a flourishing of democracy, an extension of individual rights and freedoms, and the legislation of a whole system of employee protections in terms of bargaining rights, health and safety, working conditions, and the like. Conversely, those societies that have sought to entrench economic expansion through systems of totalitarian control and various forms of unfree labor – Nazi Germany, Franco's Spain, the Soviet Union – have proven ignoble failures. In short, rather than it being the case that disciplinary control is the key factor in our world, it is the reverse that appears to apply: the organizations and societies that boast the greatest degree of success are those able to garner the active cooperation and engagement of their citizens and employees.

If we need to be wary of accepting the view that disciplinary control and oppression are the distinguishing features of our time, we should also avoid unduly romanticizing the pre-industrial world which Rousseau held in such high regard. Admittedly, part of the greatness of Rousseau as a thinker is that in defending a "rustic" existence he freely acknowledged the costs that this entailed. Accepting sickness and premature death as a natural condition of existence, Rousseau argued against the use of science and medicine to mitigate the effects of disease. "Medicine," by offering succor to the weak, also merely revealed itself – in Rousseau's (1762/1979: 54) opinion – as "an art more pernicious to men than all the ills it can cure." It was, moreover, a crime against society to provide an education to "a sickly and ill-considered child," as money spent on such an individual would merely result in "doubling society's loss" (Rousseau 1762/1979: 53). Rousseau, in other words, clearly understands what life in a pre-industrial society entailed. It was, as Thomas Hobbes (1651/2002: 62) in England famously observed, "solitary, poor, nasty, brutish, and short." This is the world that technology, science, the division of labor, and managerial endeavor have rescued us from.

Conclusion

Much of the success of postmodernism can be attributed to the fact that it draws on deep intellectual roots; intellectual roots which have long expressed disquiet at the processes of modernization and industrialization. Moreover, in its most radical "poststructuralist" or "de-constructionist" form – associated with Emmanuel Levinas, Roland Barthes, and Jacques Derrida – postmodernism challenges not only the legitimacy of modern industrial society but also the entire fabric of Western language and thought. In terms of language, it takes umbrage with the idea, espoused since Plato's *Phaedrus*, that written language is a mere shadow or representation of verbal speech. Hostility is also announced to the precepts of the Swiss linguist, de Saussure (1915/1974: 15), who argued that for a linguistic group (i.e., English speakers, French speakers) language is a "social institution," bound by rules that individuals cannot readily disregard. In rejecting such views for being embodiments of the "phonocentric" and "logocentric" traditions of Western thought, poststructuralists – drawing on the idealist philosophies of Edmund Husserl (1913/1983) and Martin Heidegger (1926/1962) – argue that Western language and thought have been based around a process of exclusion. In writing, however, so it is asserted (Heidegger 1926/1962: 29; Levinas 1957/1987: 103; Derrida 1967/2001: 66), "traces" can be detected of lost voices; voices that represent the remnant existence of those consciously or unconsciously excluded from the historical record. By contrast, Michel Foucault was not interested in the supposed presence of historical remnants within written texts. Indeed, he rejected the whole "deconstructionist" mode of thinking espoused by Derrida and his co-thinkers. In his (Foucault 1972b/2001: 569) view, the so-called discovery of remnant "traces" in written texts amounted to nothing more than a spurious "invention of voices behind the text."

In contrast to Derrida, what Foucault was interested in was the relationship between power and knowledge *in the present*. For Foucault (1969/1972: 24), not only was it the case that power and knowledge were expressed through *epistemes* (i.e., the ideas that pervade a whole society or epoch) and/or discourse (i.e., the ideas shared by a group and which give it its social and political integrity and legitimacy), these manifestations had to always be understood "as and when" they occur. What needs to be emphasized at this point is that for Foucault the key focus is *not* – as it is with Derrida – text or the individual subject. Rather, it is the *discourse*, the set of *rules* for language and knowledge through which individuals obtain their intellectual frameworks and understandings. In other words, Foucault is *not* interested in textual deconstruction (as Derrida was) but rather with larger social "discourses." This means, for example, that a Foucauldian analysis of the "discourses" that I am involved in as a business academic and management historian would primarily concern itself with the common understandings and concerns that shape debates in those disciplines, i.e., profit, efficiency, organizational structure, business strategy.

As Foucault's thinking evolved so it was that his interest increasingly shifted towards how power manifested itself in "micro-forms," in the myriad of oppressions and systems of inequality that supposedly characterize our lives. In this, Foucault – as with Hayden White and much of the wider body of postmodernist thought – increasingly drew inspiration from the idealist philosophy of Friedrich Nietzsche; a philosopher who advocated an overriding concern with individuality, with "Self" and with what he referred to as the individual "will to power" (Nietzsche 1883/1970: 137). Such was Nietzsche's concern with individual will and self that he readily abandoned all and any commitment to the ideas of truth, morality, objectivity, and impartiality. What counted was not whether something was true or not but the purpose for which the information or narrative was used; or, as he (Nietzsche 1895/1990: 187), bluntly put it, "to what end a lie is told." As we have explored in the latter half of this introductory chapter, this emphasis on the purpose to which a narrative is told – and a willingness to embrace the "fictive" to support an argument – became a defining characteristic of the work of White and his intellectual heirs.

Postmodernism is, therefore, not a single strand of thought. It is, instead, made up of competing and often contradictory lines of thinking, each of which draws on different bodies of idealist philosophy. There are, however, three things that not only give unity to postmodernism but which do much to explain its success. First, postmodernism – in its various strands – places issues relating to exclusion at the center of its analysis. For Derrida and deconstructionists, the battle against exclusion involves the rescue of lost voices from language. For Foucault (1976/1978: 94), it involves confronting inequalities of power wherever they manifest themselves; a task that necessarily entails the manufacture of competing discourses. The second understanding that unites postmodernism is the idea that research and inquiry entails a "horizontality" of focus. In other words, one is not interested in finding some new fact or piece of information. Instead, one is primarily interested in exposing how existing texts and/or discourses entrench inequality and oppression. For there is no such thing as an objective fact. Instead, facts obtain the meaning from either textual interpretation (the deconstructionist view) or from discourse (the Foucauldian view). The third unifying element is a deep hostility to mechanization and industrialization; a hostility that can be traced back through Nietzsche to Jean-Jacques Rousseau. For Derrida (1967/1976: 85), the need to purge language of its "logocentric" inheritance is necessitated by the fact that this language now embodies the "oppression" of the "technical and scientific economy." Similarly, for Foucault (1976/1978: 89) the advance of modern industrial society was utterly retrograde, bringing with it "new mechanisms of power" that "are employed on all levels and in forms that go beyond the state and its apparatus, reaching down into every aspect of individual existence."

If the unity of postmodernist thought around a set of core principles, and the fact that those principles draw on a long intellectual heritage, does much to explain its success, it is nevertheless this author's view that all of its core understandings are flawed. Yes, exclusion and inequality still characterize our world. Yet it is also true, as we have emphasized on a number of occasions throughout this chapter that societal and organizational success since the dawn of the Industrial Revolution has been associated with engagement rather than exclusion. A literate population emerged in lieu of an illiterate one because the new factories and trading companies could not survive and grow without an educated workforce. For the first time, the mass of the female population had realistic opportunities for advancement outside the household hearth. In economies across the globe today, the percentage of females in paid employment is at an historic peak. Discrimination on the basis of religion or race is outlawed. A man of color has served as President of the world's most economically and politically significant nation. In every Western economy, workers are guaranteed fundamental rights in terms of their employment; rights that include the ability to form unions, to bargain, to obtain an enforceable minimum wage for the labor. To ignore such historic gains, to ignore the importance of engagement in our businesses and societies, is to willfully overlook the most fundamental feature of our world. To assume that all knowledge is mere discourse and textual invention is also only possible through willful oversight. Yes, there is a whole body of evidence that is "secondary" in that it indicates a particular perspective to the exclusion of others; evidence that includes business and labor archives, newpapers, journals, and the like. There is, however, a second type of evidence that is grounded in objective material conditions of existence; evidence that records, as we have previously noted, production and employment figures, hospital admissions, births and deaths, etc. If our "secondary" sources of evidence – most particularly in business and management – are to have credence than there should be a correspondence between this type of evidence and the latter. It is also the case that modernization and industrialization have entailed far more benefits than costs. No longer is it the case, as Rousseau (1762/1979: 47) observed in the mid-eighteenth century, that, "Half the children born perish before the first year." Nor is it the case, as Hobbes (1651/2002: 62) observed in the mid-seventeenth century, that life is any more "solitary, poor, nasty, brutish, and short." Fortunately, despite postmodernist objections to the perceived oppressions and exclusions of our world, such experiences are now increasingly a thing of distant memory.

Cross-References

► Debates within Management History
► Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
► What Is Management?

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Paul-Michel Foucault: Prophet and Paradox 29

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Abstract

Paul-Michel Foucault, better known simply as Michel Foucault, is arguably the dominant intellectual influence in Western academia, if not Western society more generally. A prophet to many, Foucault's life and work were characterized by an almost endless series of paradoxes. Claiming to speak on behalf of the marginalized and excluded members of the society, Foucault boasted a privileged existence. Graduating from France's most prestigious high school, the Lycée Henri-IV, Foucault spent almost his entire life within France's elite cultural and educational institutions. A long-time disciple of Nietzsche, Foucault nevertheless emphasized the conditions that constrain freedom rather the capacity of the will to overcome obstacles. A historian by inclination and practice, Foucault became, as Hayden White observed, "an anti-historical historian," a scholar who argued that the "will to truth" was a source of oppression. In exploring the paradoxes of Foucault's life and work, this chapter traces the development of Foucault's ideas from his entry into the Lycée Henri-IV in 1945 until his death from AIDS in 1984.

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Introduction

Paul-Michel Foucault, better known simply as Michel Foucault, is arguably the dominant intellectual influence in Western academia, if not Western society more generally.

Foucault's core understandings – that knowledge is socially constructed, that oppressive power "is exercised from innumerable points" (Foucault 1976/1978: 94), that power is exercised culturally through "procedures of exclusion" (Foucault 1970/1981: 52), that social order is primarily maintained by the "fundamental codes of a culture" (Foucault 1966/1994: xx), and that "it is in discourse that power and knowledge are joined together" (Foucault 1976/1978: 100) – have a deep resonance, influencing the understandings of power and personal identity of countless millions. In the discipline of management history, Cummings et al. (2017: 36–40, 333) declare that by utilizing Foucault's ideas we can create "a new, deeper history of management" and a "history that promotes big questions . . . new thinking and liberating actions." Elsewhere we read that Foucault's work is key to understanding "the disciplinary mode of domination . . . built into the heart, the essence of contemporary society" (Burrell 1998: 21).

A prophet to many, Foucault's life and work were characterized by an almost endless series of paradoxes. Claiming to speak on behalf of the marginalized and excluded members of society, Foucault boasted a privileged existence. A member from birth of France's *haute bourgeoisie* and the son of a prominent surgeon, Foucault followed an educational path to which few French citizens could aspire. After studying at the elite Lycée Henri-IV adjacent to the Pantheon in 1945, Foucault immediately progressed to the nation's most prestigious higher educational institution school, the École Normale Supérieure. Yet, despite this privileged French education experience, Foucault constantly advised his friends that he felt uncomfortable living in France (Rabinow 2015: 8). A product of elite educational institutions, Foucault's ideas also fitted into the milieu of his times. However, despite emerging from the idealist and existentialist philosophical climate of postwar Paris – and sharing a lifelong fascination with the German philosophic idealism of Edmund Husserl, Martin Heidegger, and, above all, Friedrich Nietzsche – Foucault rejected the humanist premises of Jean-Paul Sartre. Whereas Sartre (1943/1956: 30) argued in his *Being and Nothingness* that "the essence of [a] human being is suspended" in their "freedom" and that "freedom is impossible to distinguish from the being of 'human reality'," Foucault depicted the human condition as one of constant subjugation (Poster 1975: 334–335). Widely seen as central to an emergent "postmodernist" intellectual tradition, Foucault regarded others in this tradition with ill-disguised contempt. Of Jacques Derrida, Foucault (1972a/2006: 573) said that he was “the most decisive representative, in its waning light” of a discredited “pedagogy” built around “the invention of voices behind the text.” As a historian, Foucault (1976/1978: 13) argued at times in “starting from historical facts that serve as guidelines for research.” More frequently, Foucault advocated a Nietzschean view of history, calling for the dismantling of accepted understandings in order to bring about the “liberation of man” (Foucault 1971/1984: 88). As Hayden White (1973: 26) expressed it, Foucault was “an anti-historical historian” who wrote his version of “‘history’ in order to destroy it, as a discipline, as a mode of consciousness.”

Like Nietzsche before him, Foucault (1966/1994: 328) rejected the idea of a guiding moral code, declaring that “For modern thought, no morality is possible.” On meeting Foucault for the first time in 1971, the American linguist and social activist, Noam Chomsky, said of him, “I’d never met anyone who was so totally amoral . . .It’s as if he was from a different species” (cited, Miller 1993: 201, 203). Associating sexuality “with the mechanisms of power” (Foucault 1976/1978: 147), Foucault (1977/1988: 204) also advocated greater acceptance of sexual relationships between adults and children “who consent,” noting, “There are children who throw themselves at an adult at the age of ten.”

A contradictory and polarizing figure, Foucault’s line of reasoning, and his modes of research, frustrated even his ardent supporters. In reflecting on Foucault’s (1961/1965) *Madness and Civilization: A History of Insanity in the Age of Reason* – an abridged version of his doctoral thesis and the first of Foucault’s studies to be translated into English – Hayden White (1973: 38) concluded that it was “a rambling discourse” constructed from “a very limited body of data.” In considering Foucault’s entire lifework, Peter Miller (1993) noted that “Foucault left behind no synoptic critique of society, no system of ethics, no comprehensive theory of power, not even (current impressions to the contrary) a generally useful historical method.” Among management historians, Michael Rowlinson and Chris Carter note Foucault’s universal tendency to ignore other viewpoints in his work. “Reading Foucault’s histories,” Rowlinson and Carter (2002: 534) recorded, “one could be forgiven for thinking that his is the only interpretation, since it pretends not [to] be an interpretation.”

If flaws in Foucault’s work were apparent even to his supporters, his many critics – opponents found among the ranks of both postmodernist and more traditional scholars – were even more willing to point to his flaws. In the opinion of the Marxist historian, Perry Anderson (1998: 120), Foucault’s intellectual frameworks hindered rather than advanced understandings of inequality by “overstretching” the concept of power to the point where it became almost meaningless. The result, Anderson (1998: 120) suggested, was “the banalization of power.” In terms of historical methodology, Richard Evans (1997: 200) argued that Foucault and his disciples legitimated an intrusion of the author into the historical text “to such a degree that in some cases their presence all but obliterates the historical subject.” Arguably the most devastating critique of Foucault’s work – and the one that caused him the greatest personal angst – was that levelled by Jacques Derrida in a Sorbonne conference paper, entitled “The Cogito and the History of Madness,” subsequently republished in Derrida’s *Writing and Difference.* In critiquing Foucault’s *Madness and Civilization*, Derrida (1967/2001: 49) accurately noted that:

> . . . everything transpires as if Foucault knew what ‘madness’ means. Everything transpires as if . . . an assured and rigorous precomprehension of the concept of madness . . . were possible and assured . . . The same kind of questions could be posed concerning the truth that runs through the book.

Not content with these insightful comments, Derrida (1967/2001: 69–70) went on to advise Foucault that his approach posited “a totalitarian and historicist style which eludes meaning and the origin of meaning.”

It is certainly easy to find flaws in Foucault’s work. Foucault was himself critical of some of his own key work. Of the best-selling book that first brought him to public attention – *The Order of Things* – Foucault lamented that it was “the most difficult, the most tiresome book I ever wrote” (cited, Miller 1993: 158). When, after a long delay, Foucault (1972a/2006 and 1972b/2006) responded to Derrida’s criticism of *Madness and Civilization*, he largely skirted around the points that Derrida had made, engaging instead in a cutting attack of Derrida’s own work. There is, however, one commonly made charge against Foucault that is misplaced, namely, the accusation that Foucault was inconsistent in his thinking, and that he “refused to retain one position for longer than the period between his last book and the next” (Burrell 1998: 15.), and that his “work was characterised by constant shifts, reversals . . . and inconsistencies” (Grey 1994: 6; also see Caillat 2015: 16). In discussing Foucault’s work, there is thus an almost universal tendency to talk about Foucault’s “archaeological” approach or period (i.e., the ideas associated with *The Order of Things*), his “genealogical” approach or period (i.e., the ideas associated with *The Archaeology of Knowledge*), and his focus on “governmentality” (i.e., the lectures on governmentality given to the College of France) – as if each of these approaches or periods represented a fundamental rupture in Foucault’s thinking. While there is no doubt that Foucault – like most researchers – shifted the *focus* of his research across his career, the tendency to compartmentalize Foucault’s work does him a disservice, disguising rather than elucidating the fundamental cohesion of his work across the decades.

In one of the first and most insightful English language critiques of Foucault’s works, Hayden White (1973: 47–48) made the pertinent point that Foucault did “have both a system of explanation and a theory of the transformation of reason and science, or consciousness, whether he knows it or will admit it or not.” Like his existentialist and postmodernist contemporaries – Sartre, Albert Camus, Roland Barthes, Derrida – Foucault spent a significant part of his youth living under Nazi occupation, a time when much of the French population willingly threw in their lot with the totalitarian Vichy regime. In responding to these experiences, Foucault – like his existentialist and postmodernist contemporaries – was primarily concerned with the essence of individual freedom and the conditions that restricted its free and untrammeled existence. Accordingly, the issues that concerned both classical economics (i.e., Adam Smith, David Ricardo, John Stuart Mill) and Marxism – the organization of production, the efficient managerial allocation of resources, the creation of wealth, and the global nature of capitalism – were secondary or inconsequential issues for Foucault, as they were for his existentialist and postmodernist contemporaries. In exploring the individual and physic essence of human freedom, Foucault – like his existentialist and postmodernist contemporaries – was primarily guided by German philosophical idealism. Like Sartre and Derrida, Foucault found inspiration in Martin Heidegger. Reflecting on his years as a student at the Lycée Henri-IV and the École Normale Supérieure, Foucault recalled that Heidegger was for him "the essential philosopher ... My entire philosophical development was determined by my reading of Heidegger" (cited, Miller 1993: 46).

Sharing many commonalities with his existentialist contemporaries, Foucault differed from them in two important regards. First, after a summer reading the works of Nietzsche in 1953, Foucault became a lifelong Nietzschean, sharing Nietzsche's belief that it is individual human will – what Nietzsche called the "will to power" – that is the decisive force in history and politics. Like Nietzsche, Foucault also came to believe that whatever empowered the individual will was good and whatever restrained it was bad. The second fundamental point where Foucault differed from Sartre and likeminded French existentialists was in seeing oppression, rather than freedom, as the common human experience; oppression enforced primarily through cultural norms and shared understandings of the past and present. As Foucault (1972c/2006: 544) explained it in an appendix to a revised edition of his study of madness, the human condition "does not begin with freedom, but with the limits and the line that cannot be crossed." Over time, Foucault shifted his focus from one supposed manifestation of physic and personal oppression to another. In *Madness and Civilization*, Foucault (1961/1965: 293) argued that "Western culture" was fundamentally retrograde in repressing accounts of "the agony" of the Marquis de Sade's victims. For, Foucault (1961/1965: 293) asks, "what desire can be contrary to nature" that "was given to man by nature itself?" Subsequently, Foucault focused on different manifestations of power and oppression – *epistemes* and the "fundamental codes of a culture" (Foucault 1966/1994: xx); "language" and "discourse" (Foucault 1976/1978: 94); the "disciplinary" society with its "infinitesimal surveillances, permanent controls, extremely meticulous orderings of space" (Foucault 1975/1991: 308); and "biopolitics" and the emergence of "a society 'with a sexuality'" (Foucault 1976/1978: 147). Nevertheless, throughout this shifting research agenda, the fundamental premise remained the same: individual freedom is trapped within oppressive cultural and epistemological norms.

A constant advocate of revolt at every level, Foucault is the personification of "The Rebel," as identified by arguably the greatest of the French existentialist thinkers, Albert Camus. Like Foucault, Camus (1951/1978: 18–19) associated rebellion with individual identity, with "the passionate affirmation" of the innermost "part" of one's "being." Where Camus differed from not only Foucault but virtually all of his existentialist contemporaries, however, was in seeing the inherent dangers of every act of rebellion, the manifest tendency of the rebel to become an intolerant exponent of their own views at their expense of others. Writing at a time when Foucault was only a recent graduate of the École Normale Supérieure, Camus was already concerned by the ascent of the perpetual rebel, the "nihilist" who claimed to oppose every form of power and oppression while remorselessly advancing their own agenda and interests. "Methods of thought which claim to give the lead to our world in the name of revolution have become, in reality," Camus (1951/1978: 246–247) lamented, "ideologies of consent and not of rebellion . . . The contemporary revolution that claims to deny every value is already, in itself, a standard of judging values." Camus (1951/1978: 177) also noted the unfortunate tendency of twentieth-century rebels to use the state as an instrument of their own interests, noting that "All modern revolutions have ended in a reinforcement of the power of the State." Throughout his career, Foucault – like most of his subsequent disciples – showed a strange blindness to the authoritarian tendencies of the various rebel movements he supported. In the late 1960s and early 1970s, this blindness manifested itself in sympathy for Maoism and the Cultural Revolution, Foucault declaring in a television interview that the victory of "the proletariat" would "quite" possibly result in "a violent, dictatorial, and even bloody power. I can't see what objection one could make to this" (cited, Miller 1993: 203). Nowhere, however, was Foucault's foolhardy embrace of revolutionary movements more evident than in his attitude toward the Iranian Revolution of 1979, a revolt that Foucault covered for the Italian newspaper, *Corriere della Sera*. Where others soon identified the potential for a totalitarian Islamic state, Foucault (1979a/1988: 216, 218) perceived only "beauty," "an expression of public right," "of living the Islamic religion as a revolutionary force."

The blindness of Foucault to the totalitarian tendencies of many of the rebel causes he espoused, points to the fundamental failing in Foucauldian thinking. By assuming that oppression, rather than freedom, is the universal human condition, Foucault – unlike Thomas Hobbes, John Locke, Edmund Burke, Montesquieu, Sartre – paid little heed to the circumstances that support freedom and democracy. Yes, it is true that Foucault (1976/1978: 94) highlighted resistance to societal power, arguing that wherever "there is power, there is resistance." But resistance is not freedom. Resistance to established forms of power can come, moreover, from murderous totalitarian forces as well as from well-meaning democrats: think of the Nazis in Germany during the 1920s and 1930s, the Bolsheviks in Russia in 1917, or the ayatollahs in Iran in 1978–1979. If we thus turn our minds from oppression to freedom, and the conditions of freedom, we can make a number of pertinent observations. The first, and the one most easily overlooked, is that there has never been an enduring democracy – based on the political and social freedom of all members of the society – in any pre-industrial economy. Yes, ancient Athens pioneered not only the idea but also the practice of democracy. However, as we noted in our earlier ▶ Chap. 7, "Management in Antiquity: Part 1 – The Binds of Geography," Athens was also not only a slave society but an imperial tyranny. The wealth, education, and leisure that made the Athenian democracy possible rested on the slave-operated silver mines at Laurion and the tribute forcibly exacted from the Delian League. If democracy and social participation are to be made available to all members of the society, it is necessary, therefore, that the society boasts sufficient wealth to allow the ordinary citizen the leisure, the education, and the informed capacity to engage in the political process, free of the tutelage of any slave master, feudal lord or authoritarian state. For, in the final analysis, democracy and social freedom are mass phenomena, only possible when the society possesses the capacity to liberate the mass of humanity from everyday drudgery. The second pertinent point to make in reflecting upon the preconditions for freedom is that no democracy has persisted in a noncapitalist society, devoid of both the wealth-producing effect of capitalism and the diffusion of wealth and power that is its inevitable handmaiden. This is not to say that all capitalist societies are democracies. Franco's Spain, fascist Italy, and Nazi Germany were capitalist economies that were overtaken by totalitarianism. That capitalist societies *can* fall prey to totalitarianism points, however, to another failing in Foucault's understanding of power: the need for a system of checks and balances. If we look to the most successful democratic societies – Britain, Canada, Australia, New Zealand, the United States, the Scandinavian countries, the Netherlands, and Belgium – it is interesting to note how many are constitutional monarchies, societies where elected politicians are denied presidential power. Indeed, of the countries I just listed, only the United States is a republic. To be truly effective, however, checks and balances need to extend beyond politics into the very fabric of the society in the form of market competition, legal protection of person and property, freedom of movement, and the freedom of workers to choose both their occupation and employer.

If we think of the underpinnings of freedom of which Foucault seemed blissfully unaware – competition, legal protection of person and property, freedom of movement, and the capacity to choose one's employer – these are *all* attributes that I have constantly identified as defining characteristics of "modern management" throughout *The Palgrave Handbook of Management History*. For not only does modern management create the wealth that allows society's humbler members the education and leisure to participate in the political process, it also differs from management systems in both pre-industrial and totalitarian societies in being premised on the principles of freedom and respect for the individual. Yes, it is true that "modern management" is hierarchical. But its scope is not unlimited, unlike the situation that prevailed in either Stalinist Russia or Nazi Germany. Moreover, it has to constantly recruit and motivate legally free workers as a condition of its very existence. In a modern, liberal democratic society, it is thus the case that "modern management" underpins freedom rather than the system of universal oppression that Foucault perceived.

Foucault (1945–1970)

The intellectual principles that defined Foucault cannot be understood apart from the cultural and political milieu of wartime and postwar France. Unlike English-speaking nations, the French during the period of German occupation (May 1940–August 1944) suffered not only national humiliation but also a complex relationship with their occupier. While only a minority were active supporters of the pro-German Vichy regime, virtually all had to come to some sort of accommodation with the occupier. This produced among the French intellectuals who came of age during the war and its immediate aftermath a profound questioning of the nature of freedom and human existence, a questioning that occurred in an environment where things

German were manifest on every front. In this environment of German totalitarianism, the intellectual embrace of German philosophical idealism seems paradoxical. Interest in the ideas of Martin Heidegger, the disgraced philosopher who had been one of the Third Reich's most fervent intellectual supporters, appears particularly strange. There was, however, even before the war, an intellectual interest in the idealist philosophies of Husserl and Heidegger among French intellectuals opposed to fascist and totalitarian ideologies. In the late 1920s, for example, Emmanuel Levinas – a French intellectual of Jewish-Lithuanian extraction whose ideas were to profoundly influence Derrida – studied under both Husserl and Heidegger in Germany before completing his doctoral thesis on Husserl in 1930. Of this thesis, Derrida (1967/2001: 104) observed in a paper entitled, "Violence and Metaphysics: An Essay on the Thought of Emmanuel Levinas," subsequently published in *Writing and Difference*, that its insights into the work of Husserl and Heidegger brought a transformative "light" to French philosophy.

Already a legitimate source of anti-totalitarian thought prior to World War II, the philosophy of Husserl and, more particularly, Heidegger found its fullest expression in Sartre's wartime book, *Being and Nothingness* – a title which was a deliberate play on Heidegger's principal work, *Being and Time*. Whereas Heidegger (1927/1962: 161, 2919) argued that the "existentialist" essence of being or *Dasein* was the "foundation for the primordial phenomenon of truth," Sartre associated the essence of individual being with not only a search for truth but also a primordial struggle for freedom. As Sartre (1943/1956: 591) expressed it, outside of "the notions of freedom" any understandings of human existence "lose all meaning."

Sartre's humanist interpretation of Heidegger, with its emphasis on freedom and resistance as the essence of being, was clearly either an accidental or wilful misinterpretation of Heidegger's more elemental views of what he referred to as *Dasein* or "Being-in-the-world," a point that Heidegger made in repudiating Sartre's interpretation (Miller 1993: 47). Nevertheless, Sartre's work popularized not only "existentialism" but also the works of Heidegger for a whole generation whose ties to traditional beliefs were torn from their moorings by the war. As Mark Poster (1975: 73) observed, "Ex-Vichyites, youngsters from the bourgeoisie . . . the outcasts of society – these motley followers of existentialism found in the new doctrine justifications for their despair."

In coming to study in 1945 at the prestigious Lycée Henri-IV – located in close vicinity to both the Pantheon and the Sorbonne – Foucault found himself at the epicenter of the Parisian fascination with existentialism and German philosophic idealism. The "unofficial world headquarters of existentialism" was also only a few hundred meters away at the Café de Flore on the Boulevard Saint-Germain. Among his teachers at the Lycée Henri-IV, the Hegelian philosopher, Jean Hyppolite, was a noted admirer of Heidegger (Miller 1993: 40). On graduating from the Lycée Henri-IV, Foucault also came under the influence of the Marxist, Louis Althusser, who began work as a tutor at the elite École Normale Supérieure in 1948. Becoming a lifelong friend of Althusser, Foucault was persuaded to join the French Communist Party in 1950, remaining a member until 1953. Although Foucault formally broke from communism in 1953, the influence of Althusser's peculiar brand of "structural" Marxism can nevertheless be detected in Foucault's subsequent work. Like the mature Foucault, Althusser was vehemently opposed to the humanist version of both existentialism and Marxism then popular in France, arguing that by the time Marx wrote *Capital* he had abandoned the Hegelian philosophy and humanism of his youth. Like the mature Foucault, Althusser (1968/2001) also came to believe that the authority of capitalism and the modern state was primarily maintained by ideology and culture and what he called the "Ideological State Apparatus" (i.e., schools, churches, cultural institutions). Like the mature Foucault (1966/1994: xxi), who argued in *The Order of Things* that "the existence of order" is maintained by "the ordering codes" of culture, knowledge, and grammar, Althusser (1968/2001: 125) similarly believed that ruling "ideologies" were "realized" not only in "institutions" but also in the "rituals and practices" which they established.

Although Foucault's research was arguably always characterized by an underlay of Althusser's structural Marxism – Derrida (1967/2001: 69) correctly pointing to the "structuralist" underpinnings of Foucault's first significant work, *Madness and Civilization* – the masculine, proletarian world of French communism was inherently ill-suited to Foucault, a person who never hid his homosexuality. The bookish son of a well-to-do provincial surgeon from Poitiers, Foucault never spent much time in the mundane jobs that characterized the life of the typical French citizen during the 1950s. Instead, after graduating from the École Normale Supérieure, Foucault drifted between research and teaching posts before beginning his doctoral studies into mental illness, studying patients at the Hôpital de la Salpêtrière.

Amid the turmoil and dislocation of France in the 1950s – a time when France found itself in savage colonial wars in Indochina and Algeria – it is perhaps unsurprising that Foucault would find his intellectual lodestar in another troubled and bookish soul, Friedrich Nietzsche. Where Marx had placed the proletariat and the impersonal forces of economics at the center of his analysis, Nietzsche, more than any author before or since, made individual identity and the power of the human will the center of concern. In Nietzsche's (1889/1990: 97) opinion, it is delusion to think that "man" and mankind had any meaning outside "the individual." It was not economics or political institutions that were important in understanding human affairs, Nietzsche (1883/1970: 62) stated in *Thus Spoke Zarathustra*, but rather the "self," which "subdues, conquers, destroys." To reach their full potential, to transcend their current ordinariness and become a totally new expression of individual will, "the Superman," Nietzsche (1883/1970: 215; 1887/1989: 40–41) argued that the individual needed to embrace their primordial and irrational "inner core," allowing "the animal," "the beast of prey . . .to get out again." When it came to the writing of history, Nietzsche (1874: 26, 12) expressed hostility in his *On the Use and Abuse of History for Life* to history as a fact, arguing that an uninspiring, fact-based account "cripples the active man." Instead, Nietzsche (1874: 26) proclaimed, history only becomes a useful source of inspiration for the will to power when it was turned "into art work," providing "a purely artistic picture" that arouses the primeval "instincts."

A lifelong convert to Nietzschean philosophy following a summer reading his work during an Italian holiday in 1953, Foucault's (1966/1994: 322) admiration for Nietzsche was manifest in *The Order of Things*, where he recorded that "Nietzsche's thought . . .has for us for us, such a disturbing power," bringing with it "the Promise-Threat" that modern "man" – by an embrace of his primal instincts – could "be replaced by the superman."

If a Nietzschean world view informed Foucault's thinking from an early stage, his ideas were hidden from view during the 1950s. Instead, Foucault continued to follow an unsettled if privileged existence, moving between a series of diplomatic and teaching posts in Sweden, Poland, and Germany while working on his doctoral thesis on madness. Published in 1961 as *Histoire de la Folie* as part of the French doctoral submission process, Foucault's study has typically been perceived as a study written from the point of the outcast, the marginalized, and the psychologically impaired, people whose eccentricities were no longer tolerated in what Foucault called Europe's "classical Age" (i.e., c. 1400–c. 1750). Whereas Foucault (1961/1965: 10) claimed the "mad" had been an accepted part of medieval society, they now found themselves subject to what Althusser called the Ideological State Apparatus (i.e., hospitals, medical specialists, legal controls) as "madness" was constituted "as a mental illness." In emphasizing this, the most obvious argument contained within Foucault's doctoral thesis, José Barchilon (1961/1965: 7–8) advised the reader in the introduction to the abridged English translation of the thesis that Foucault had dispelled "the myth of mental illness," re-establishing "folly and unreason in their rightful place as a complex, human – too human – phenomena."

In truth, Foucault's study of madness was built more around a concern for the plight of the "sane" than the "mad," the work being underpinned by the Nietzschean belief that "modern man" had become a shadow of his former "self" in embracing rationality at the expense of irrationality, trading a trust in one's primeval instincts in favor of a belief in science. As a result of "reason's subjugation of non-reason," Foucault (1961/1965: 9) argued, people have come to "communicate and recognize each other through the merciless language of non-madness," suppressing "the lyricism of protest." In doing so, Foucault (1961/1965: 12) added, humanity had lost powerful insights into "the secret powers of the world," creating "a world without images, without positive character." Also lost was an appreciation of "the strange contradiction of human appetites: the complicity of desire and murder, of cruelty and the longing to suffer, of sovereignty and slavery" (Foucault 1961/1965: 221). Whereas others had found in the writings of the Marquis de Sade – an incorrigible rapist and sadist – evidence of insanity, Foucault (1961/1965: 221) claimed that "Sadism . . .is a massive cultural fact" and that through de Sade's "words of unreason . . .man discovers a truth he has forgotten." Only by embracing the views and behaviors of those dismissed as mad, Foucault (1961/1965: 293) concluded, was humanity capable of "rediscovering the secret of unreason's nothingness."

Foucault (1972c/2006: 542), in writing an appendix to the second edition of his study of insanity, published as *History of Madness*, recorded that the key to understanding any society was found in "the relationship of the culture to the very thing that it excludes." While societal prohibitions on "forbidden acts," including acts of "madness," were "familiar" to most, Foucault (1972c/2006: 544) continued, less "understood" were "the organization of prohibitions in language," in the ways we both understand the world and communicate our understandings to others. It was to this supposed problem that Foucault devoted his attentions during the 1960s, his efforts finding expression in arguably his two most significant works, *The Order of Things* and *The Archaeology of Knowledge*. In pursuing these endeavors, Foucault boasted a more academically secure if still unstable personal situation. Commuting once a week from his Paris residence to a full-time position at the University of Clermont-Ferrand between 1960 and 1966, in 1966, Foucault accepted a position at the University of Tunis, returning to Paris when – in an act of inexplicable madness – the Gaullist government appointed him Head of the Department of Philosophy at an experimental campus at Vincennes. Even before the new campus formally opened its doors, in January 1969 Foucault joined an occupation of the rector's office by Maoist-aligned students, throwing bricks at the police from a rooftop vantage point. Never destined to end well, the certifications for Foucault's degree program were officially withdrawn after one of his staff, Judith Miller, began handing out degrees to passing strangers along with the observation that "the university is a figment of capitalist society" (cited, Miller 1993: 180).

In pursuing studies of language, Foucault was in part pursuing the latest Parisian intellectual fashion, where a revived interest in the "structural" analysis of the turn-of-the-century Swiss philologist, Ferdinand de Saussure (1915/1974), sparked a debate in which Claude Levi-Strauss, Derrida, and Roland Barthes were prominent. Through his study, *Mythologies*, Barthes, in particular, proved the "oracle of the hour" (Miller 1993: 133). Drawing on his experiences of Japanese society, where nonverbal cues are an important aspect of language, Barthes (1957/1972: 115) argued that in art and literature, in particular, the depiction of one concept or object often masks a far more fundamental understanding. Foucault, although boasting no formal training in linguistics, pursued the themes which Barthes had developed with a remorseless vigor in *The Order of Things*. By looking at the "vocabularies," "syntaxes," and the language "sounds" of various "civilizations and peoples," rather than simply "the words they spoke," Foucault (1966/1994: 87) suggested, we can "open up a whole historical field that had not existed in previous periods." Moreover, Foucault (1966/1994: 86) famously argued, "Knowledge and language are rigorously interwoven. They share, in representation, the same origin and the same functional principle; they support one another; complement one another." In "any given period," Foucault (1966/1994: 158, xxi) continued, "the totality of experience" in any "field of knowledge" was delineated by "a priori" understandings shared within what Foucault referred to as the "episteme," "the codes of language, perception, and practice" that act as both the foundation and constraint of all knowledge. Grandiosely, Foucault (1966/1994: xxi, xx) also claimed that by adopting his approach the reader would come to understand that the "codes of culture" that currently prevail "are perhaps not the only possible ones or the best ones." In his subsequent, and more accessible study, *The Archaeology of Knowledge*, Foucault (1969/1972: 8–9) also expounded a more overtly Nietzschean perspective, arguing that historical accounts that depict patterns of order, "of convergence and culmination," were merely a misleading "discourse" that denied a supposed human capacity to reshape the past as well as the present. Rather than depicting a pattern of order, Foucault (1969/1972: 8–9, 25) argued in favor of the "notion of discontinuity" as "both an instrument and an object of research," a notion that would supposedly allow the history of the past to be "known, forgotten, transformed, utterly erased."

To the typical lay reader, *The Order of Things* and *The Archaeology of Knowledge* appear *primarily* to be studies of language, knowledge, and the maintenance of cultural norms. As Jean-Paul Sartre and the rest of the French literary establishment well understood, however, behind this apparent focus was a full-throated attack on Sartre's existential humanism. For, Foucault (1966/1994: 385–386) argued in *The Order of Things*, the current human condition – and the very concept of "man" – is entirely the creation of the "modern *episteme*" with its humanist values, "a recent invention" that is doomed to perish along with the *episteme* that created it. Although what would follow on from supposed "disappearance of man" is left hanging in Foucault's (1966/1994: 386) account, the clear inference is that the humanist "man" will be replaced by the Nietzschean "Superman," a person of remorseless energy, will, and irrational power. In an interview originally published in *L'Arc* in 1966, and subsequently republished in the English-language *Telos*, Sartre (1966/1971: 110) responded with a devastating attack on Foucault's work, dismissing him as a populist chaser of linguistic fashion devoid of "true original thought." Nowhere, Sartre (1966/1971: 110) accurately observed, did Foucault address the most important questions about knowledge and its creation, namely, the relationship between ideas and the material conditions of life and the ways in which humans progress from belief in one set of ideas to a diametrically different opinion. Instead, Sartre (1966/1971: 110) cynically noted, Foucault merely provided the populace "with a magic lantern" in which "movement" was more apparent than real, occurring as it did "by a succession of immobilities."

As I (Bowden 2018: 149) have argued elsewhere, Foucault's published studies in the 1960s also suffered from conclusions that went both too far and not far enough. Foucault (1966/1994: xxiii) goes too far by arguing that it is only through changes in language and knowledge that "man enters . . .for the first time, the field of Western knowledge," assertions which ignore events such as the American War of Independence, the French Revolution, and the British Industrial Revolution. Conversely, Foucault goes not far enough by beginning his analysis with what he calls the "Classical Age." As Derrida (1967/2001: 6, 12–13) accurately noted, any study that starts around 1500 ignores the previous "twenty centuries" of Western thought, traditions whose philosophical and philological foundations can be traced back to the ancient Greeks.

Foucault (1970–1978)

Contrary to a popular opinion, Foucault was the perpetual insider rather than the eternal outcast. Almost his entire life was spent within the comfortable milieu of the French cultural and political elite. From the time of his entry into the Lycée

Henri-IV in 1945, his career involved a steady advancement through the corridors of some of the most prestigious French institutions. Even before the publication of his best-selling *The Order of Things*, he was already a senior academic, serving on an official commission appointed by the then Gaullist government into the reform of higher education. Even his 2-year sojourn to the University of Tunis was hardly unusual for French academia, where long-standing ties with North Africa were commonplace. Both Camus and Derrida, for example, were Algerian-born. In terms of career progression, Foucault's appointment in 1970 to the prestigious College of France brought him to the pinnacle of success. Despite his impressive record of career advancement, however, Foucault was always an odd fit for many of the institutions that willingly opened their doors to him. Admitted to the École Normale Supérieure, he was detested by his fellow students. As an exponent of language and linguistics, he might have achieved popular success, but his lack of study and training in these domains meant that he was never going to compete with the likes of Sartre, Barthes, and Derrida in the salons and seminars of the Parisian literary and philosophical elite.

If Foucault's life prior to 1968 was that of a somewhat uncomfortable insider, the student-worker uprising that shook the French nation to its core in May 1968 transformed Foucault's place in the world. Spontaneous in nature, and driven by opposition rather than by objectives, the protests of '68 embodied the Nietzschean angst and will to power which Foucault had proclaimed in *The Order of Things*. As a graduate of the French Communist Party, Foucault was, moreover, hardly a political novice, blind to the potential opportunities that the uprising offered for the Nietzschean dissident. Another profound shift in the Western political and cultural landscape – involving a shift from traditional class-based politics to one's centered on personal identity and sexuality – was also heralded by the so-called Stonewall riots in New York in June–July 1969, a disturbance that followed on from a police raid on a gay bar in Greenwich Village. In the months and years that followed, across the United States and the wider Western world, an increasingly vocal gay rights movement wove a potent new strand into identity politics, a social movement already given substance by campaigns for women's liberation and civil rights for racial minorities.

In the post-'68 environment, the logic of a pivot toward issues of identity, sexuality, and power could hardly have escaped Foucault. In his inaugural lecture to the College of France, delivered on 2 December 1970 and entitled "The Order of Discourse," Foucault laid out a research agenda that linked his previous studies of knowledge and discourse with sexuality and politics. Building on his earlier research, Foucault (1970/1981: 55) advised his audience that power and wealth were grounded on "the three great systems of exclusion which forge discourse," namely "forbidden speech," "madness" and "the will to truth." Arguing a Nietzschean position, Foucault (1970/1981: 54, 61) argued that the obsession with "truth" was a recent innovation and that what was defined as true was merely that which ascribed to "the rules of discursive 'policing'" laid down by various academic disciplines. To break out these exclusionary constraints, Foucault postulated two historical methodologies that were to define not only his research but also that of the wider Foucauldian tradition that gained an ever-increasing academic following.

First, Foucault (1970/1981: 70) informed his listeners of the benefits of a "critical approach" in which one begins with current "forms of exclusion," before tracing their origins and the interests which they served. Second, Foucault (1970/1981: 70) expounded on the merits of the "genealogical" approach that he had explored at length in *The Archaeology of Knowledge*, in which one traced how "discourses" came to be accepted as true, interweaving knowledge and power. Although told in a far more direct, succinct, and comprehensible form than was the Foucauldian norm, none of this was particularly new. What was new was his focus on sexuality, politics, and power, Foucault arguing that not only were the grids of cultural and linguistic control at their "tightest' in these domains, it was also at these sites that resistance was most powerfully manifest (Foucault 1970/1981: 52).

Flagged in his December 1970 lecture to the College of France, Foucault's newfound interest in biopolitics – on the ways in which sexuality, discourse, and disciplinary control are interwoven – found its fullest expression in two books published in the mid-1970s, *Discipline and Punish* and *The History of Sexuality: An Introduction*, the latter boasting a title markedly different to the French original: *La Volonté de Savoir* (The Will to Know).

Having acted in the early 1970s as the spokesperson for the Prison Information Group – in reality a front for an ultraleft Maoist group, *Gauche Proletarienne*, to which Foucault's long-term partner, Daniel Defert, secretly belonged (Miller 1993: 186–187) – Foucault and his close circle of friends were soon congratulating themselves on the impact of *Discipline and Punish*. As one, Arlette Farge (2015: 33) later recalled, "With *Discipline and Punish*, Foucault totally blew apart everything that had been said about prisons and the system of power." Certainly the imagery that Foucault conveyed in *Discipline and Punish* was disquieting. Within the Panopticon – and by implication the "disciplinary society" that was its natural outcome – every person finds themselves powerless, "alone, perfectly individualized and constantly visible," forced to modify their behavior in order to placate their all-seeing supervisors (Foucault 1975/1991: 5). The inevitable end result of a world modeled on the Panopticon, we are led to believe, is remorseless "normalizing power," a society where the "judges" of normality "are present everywhere. We are in the society of the teacher-judge, the doctor-judge, the educator-judge" (Foucault 1975/1991: 304). Of all the concepts conveyed across his career, certainly none was more powerful than that of the "Panopticon," both (supposedly) as an actual 12-sided prison and a model for a "disciplinary society" where the individual is subject to perpetual surveillance and control. In reflecting on the state of management and organizational theory at the end of the twentieth century, McKinlay and Starkey (1998: 3, 5), for example, noted how the concept of the Panopticon and "disciplinary power" – which they declared to be "the central theme of Foucault's work" – had transformed the field. No longer was it possible, McKinlay and Starkey (1998: 5) continued, to regard managerial systems as merely the product of necessity. Instead, we need to understand them as Foucault did, as a "complex of power/knowledge" that embody material and physic oppression.

Foucault's depiction of a society where everyone is exposed to supervision and control on every front was reinforced in his *The History of Sexuality*. The very condition of modernity, Foucault (1976/1978: 89, 94) proclaimed, rested on "new mechanisms of power" that "took charge" of every aspect of "existence," including individuals "as living bodies," exposing them to power "exercised from innumerable points." Whereas society had previously forbidden certain sexual activities – homosexuality, sadism, etc. – it now engaged in the "medicalization of the sexually peculiar" (Foucault 1976/1978: 44). Such normalizing forms of control, Foucault warned, were not incidental to modern society but instead revealed its true, remorseless totalitarian nature. For, Foucault (1976/1978: 140–141) continued, modern industrial capitalism marked "the beginning of an era of 'bio-power' . . . [that] was without question an indispensable element in the development of capitalism: the latter would not have been possible without the controlled insertion of bodies into the machinery of production." This was achieved, Foucault (1976/1978: 145) concluded, by a system of micro-power that involved "infinitesimal surveillances" and "indeterminate medical or psychological examinations." Accordingly, we have become:

> . . . a society 'with a sexuality': the mechanisms of power are addressed to the body, to what cases us to proliferate, to what reinforces the species, its stamina, its ability to dominate, or its capacity for being used. (Foucault 1976/1978: 147)

There was no doubt that *Discipline and Punish* and *The History of Sexuality* captured the rebellious spirit of his times, appealing to a new literary market: the university-educated professional with career aspirations who was little concerned with the bread-and-butter concerns of the old blue-collar proletariat. Moving from a rebellious university existence to the humdrum of the office and the classroom – worlds dominated by older, more conservative workers and supervisors – this new professional class typically shared a generalized hostility to the exercise of power, perceiving evidence of discrimination on the basis of race, gender, and sexual orientation on every front. Education and increased prosperity also made the philosophically framed writings of Foucault and his ilk a "cultural *produit deluxe,*" a top-shelf literary product whose possession allowed one to demonstrate one's educational superiority (Lamont 1987: 593–594). In crafting both *Discipline and Punish* and *The History of Sexuality*, Foucault and his supporters also constantly claimed that they were rooted in fact, in thorough archival research. In *The History of Sexuality*, for example, Foucault (1976/1978: 13) claimed that he was "starting from historical facts that serve as guidelines for research." As for the writing of *Discipline and Punish*, his student and colleague, Arlette Farge (2015: 31) reported that "I often saw him in the archives, though historians criticized him for not having researched and interpreted archival material. His interest in the archives was greater than any other historian's." Across the years, others have made similar defenses of Foucault's work, Rowlinson and Carter (2002: 530) lamenting that "few of Foucault's acolytes in organization studies have followed him into the archives."

Far from being based on thorough archival research and a deep understanding of his topics, Foucault's *Discipline and Punish* and *The History of Sexuality* in fact followed a now well-established modus operandi: an opportunistic exploitation of a topic of popular interest, a willingness to enter into a field in which he had little in the way of either training or expertise, sweeping generalizations, clever literary imagery, a propensity to stretch evidence beyond its normal bounds, and an implicit claim to be an agent of resistance and transformative change. Of *Discipline and Punish*, Miller (1993: 235) observes, "Despite the apparent erudition of the work, it was based on a relatively small number of archival sources." The Panopticon – the 12-sided penitentiary that Foucault declared was a model example of the new "disciplinary society"– never existed. Instead, the concept was derived from some obscure letters and reflections written by the English economist, Jeremy Bentham. Not only did Bentham never publicly campaign for his model prison, it was a project of which the world remained largely ignorant until Foucault made it the centerpiece of his analysis (Božovič 1995).

One of the features of Foucault's work that most angered more conventional scholars was the paucity of references and sources that characterized his publications. A ploy that allowed him to circumvent the fact that he boasted little expertise in many of the fields in which he ventured (linguistics, prison reform, sexuality, etc.), the practice also no doubt added to the popular appeal of his studies, sparing the lay reader a mass of tiresome references. Foucault's essay, "Nietzsche, Genealogy, History," is thus unusual in providing us with a well-referenced insight into the inspiration for Foucault's work in the early 1970s. Of the 55 references to a literary source, 54 cite Nietzsche. Similarly, the "genealogical" approach to history which he advocates is pure Nietzsche, Foucault (1971/1984: 88) advising the reader that "History becomes 'effective' to the degree that it introduces discontinuity into our very being . . .It will uproot its traditional foundations and relentlessly disrupt its pretended continuity." Like Nietzsche, Foucault argued that the purpose of historical writing is *not* one of recording a more-or-less accurate account of past events, but rather one of tracing how historical *understandings* have emerged from past accounts. Where such past accounts depict some pattern of order and explanation rooted in economics, political necessity, or underlying social trends – as is normally the case – than their intellectual foundations need to be destroyed at their "roots," thereby allowing the "liberation of man by presenting him with other origins than those in which he prefers to see himself" (Foucault 1971/1984: 96).

A clear disciple of Nietzsche in 1971, Foucault subsequently sought to escape from Nietzsche's shadow, desirous of portraying himself as a creative philosopher in his own right. Accordingly, in an interview in 1983, published in *Telos*, Foucault continually downplayed the influence of Nietzsche on his thinking. "The only rather extravagant homage I have rendered Nietzsche," Foucault (1983/1988: 31–32) declared – apparently forgetful of his essay, "Nietzsche, Genealogy, History" – "was to call the first volume of my *The History of Sexuality* "The Will to Knowledge." When pressed on the matter, Foucault (1983/1988: 33) coyly stated, "I do not want to get into this argument for the very simple reason that it is years since I have read Nietzsche." Like Paul denying knowledge of Christ on three occasions on the eve of the crucifixion, Foucault's denial of Nietzsche has an air of pathos to it. Yet there is also a sense that Foucault's attempt to distance himself from Nietzsche reflects an awareness that his emphasis on a "disciplinary society," and a world modeled on the Panopticon, made him in many ways a reverse Nietzschean, someone who paid greater heed to the controls that individuals are subjected to rather than their capacity for freedom. For what made Nietzsche's work a call for individual freedom was his constant emphasis on the "Will to Power," the belief that through an exercise of will every obstacle can be overcome. Yes, it is true that the mature Foucault's work *did* continue to emphasize resistance to sources of power and authority. In his *The History of Sexuality*, for example, Foucault (1976/1978: 94) proclaimed that "Where there is power, there is resistance." However, it is also true that the emphasis on social and cultural control, the power of the "disciplinary society," became more rather than less pronounced in Foucault's work during the 1970s. In part, the increasingly pessimistic tone of Foucault's work no doubt reflects the fading promise of the student and worker rebellions that had characterized Western societies in the late 1960s. More fundamentally, however, it pointed to the fact that Foucault himself had no alternative social and economic model to offer his readers. As a result, by distancing himself from Nietzsche, Foucault also distanced himself from the emphasis on human will and freedom that was Nietzsche's seminal contribution to Western philosophy.

Foucault (1978–1984)

The increasingly pessimistic overtones to the mature Foucault's work were highlighted in 1978, when he abruptly announced in his College of France lectures that he would be shifting the focus of attention from "biopolitics" to "governmentality." In explaining the rationale for this shift, Foucault (1979b/2008: 2) subsequently declared, "I wanted to study the art of governing, that is to say . . . I wanted to study government's consciousness of itself" and how "governing was conceptualized both within and outside government." Extending his discussions to what he referred to as "neo-liberalism," Foucault's ideas on "governmentality" were to profoundly influence disciplines such as management, organizational studies, and accounting. In assessing the transformative impact of Foucault's ideas on the discipline of accounting between 1976 and 2015, Christine Cooper (2015: 15), for example, emphasized how his ideas on "neo-liberalism" had become central to disciplinary understanding of power, government, and the social effect of accounting (also see McKinlay and Starkey 1998; Armstrong 1994, 2015; Clark and Rowlinson 2004, for similar assessments). Influential as Foucault's ideas on governmentality and "neo-liberalism" were, they were also arguably the source of more misunderstanding and confusion than any other area of Foucault's work.

Of all Foucault's writings, it is Foucault's later writings on governmentality and "neo-liberalism" that provide the most apparent comfort for conservative thinkers. In articulating this opinion in the neoconservative journal, *Jacobin*, in December 2015, David Zamora (2015), for example, recorded:

> Foucault was highly attracted to economic liberalism: he saw in it the possibility of a form of governmentality that was much less normative and authoritarian than the socialist and

> communist left, which he saw as totally obsolete. He especially saw in neoliberalism a "much less bureaucratic" and "much less disciplinarian" form of politics than that offered by the postwar welfare state.

Zamora's analysis arguably understates Foucault's concerns as to the power of the state, whose power he now placed at the center of his analysis. Like an invasive virus, it advances its interests through self-serving policies while constantly adapting itself to accord with the historical context within which it operated. Whereas other economic historians saw the "mercantilist" policies of eighteenth-century Europe as driven by commercial, fiscal, and trade imperatives, Foucault (1979b/2008: 5) perceived "the state" out to "enrich itself through monetary accumulation." As Foucault himself well-realized, the inherent problem with this model of an all-powerful state was in explaining the autonomy of markets, market competition, and, hence, capitalism and the social classes associated with it. In other words, how does one explain the transformation of what Foucault (1979b/2008: 5, 46–47) called the mercantilist "police state" of the eighteenth century into a society of market "liberalism" in the nineteenth and twentieth centuries? To get around this quandary, Foucault (1979b/2008: 17) argued that the secret to the extension of state power – and the key to "the art of government" in the modern world – was found in the deliberate "self-limitation of governmental practice." Although Foucault (1979c/2008: 44) claimed that the modern state was still only concerned with "its own growth, wealth, population, and power," he also suggested that the process of "self-limitation" demanded "a complex interplay between individual and collective interests, between social utility and economic profit, between the equilibrium of the market and the regime of public authorities." One would think that the realization that democratic societies are built around a plurality of interests would lead one to conclude that the end result was a weakening of the power of the state as its policies and directions were fought over by competing social forces. This is not, however, the conclusion that Foucault came to. Instead, he argued the exact opposite, claiming that it was "precisely" through the interplay of diverse interests with the state "that government can get a hold on everything that exists for it in the form of individuals, actions, words, wealth, resources, property, rights, and so forth" (Foucault 1979b/2008: 45).

It is arguable that Foucault's peculiar understanding of markets, capitalism, and state power could only have emerged in societies such as France, where – as Fernand Braudel (1986/1991: 666) observed – capitalism "took a long time to penetrate French society . . . France was never consumed by the necessary passion for the capitalist models, by that unbridled thirst for profits without which the capitalist engine cannot get started." The factors behind the success of Britain's Industrial Revolution – the ingenuity of the small entrepreneur, the willingness of the Lancashire mill owner to invest in revolutionary new steam technologies, a new found awareness of costs – are all beyond the explanatory capacity of Foucault's ideas on the state and governmentality. For, as Joseph Schumpeter (1950/1975: 124) accurately observed, the key to "the Rise of Capitalism" was not state power but rather the reverse, the creation of "social space for a new class that stood upon individual achievement," a class of people always distrustful of the state and its agencies. Even in France, however, the veracity of Foucault's model is dubious in the extreme. If the French state had shown the "self-limiting" rationality which Foucault believed it possessed, it would have avoided the French Revolution. Indeed, far from limiting its regulatory footprint so as to allow "the equilibrium of the market," the French state dramatically increased the number of "feudal" imposts during the eighteenth century, Braudel (1986/1991: 491) noting that in 1788 – the year before the Revolution – a load of timber transported across France would have been subject to 35 different tariffs and customs duties, imposed at 21 different locations. Rather than demonstrating proof of a supposed "new rationality" of "governmental practice" (Foucault 1979b/2008: 15), such suicidal economic behavior lends credence to the well-known maxim about the French Bourbons that they "learned nothing and forgot nothing."

Confusion and misrepresentation of Foucault's ideas are most evident in discussions of "neo-liberalism" by his erstwhile supporters. In discussing the utility of Foucault's understanding of "neo-liberalism" for accounting research, Christine Cooper (2015: 15), for example, refers to it as "marketization," a process associated with the victory of the market in which "All conduct is economic conduct." Such views, associating Foucault's understanding of "neo-liberalism" with the "neo-liberalism" of Margaret Thatcher, Ronald Reagan, and the neoclassical economics of the Anglosphere during the 1980s, are profoundly in error.

To comprehend Foucault's ideas on "neo-liberalism," we need to first understand the context within which they were written. In terms of Foucault's enunciation of his views on "neo-liberalism," these were principally outlined in a series of lectures to the College of France between late January 1979 and late March 1979. At the time of these lectures, which would have presumably been prepared in the preceding year, Margaret Thatcher was not yet elected; her term in office began in May 1979. Ronald Reagan's election was more than 18 months away. Accordingly, the societal interest in "neo-liberalism" as we understand them was hardly a matter of either political or philosophical concern in 1978–1979.

Constantly, in discussing "neo-liberalism," Foucault informed his audience at the College of France that his concern was with the state and political power rather than markets. Thus, on 14 February 1979, Foucault (1979d/2008: 131–132) advised his listeners that:

> Neo-liberalism is not Adam Smith; neo-liberalism is not market society . . . Neo-liberalism should not therefore be identified with laissez-faire, but rather with permanent vigilance, activity, and intervention.

Neo-liberalism was thus, in Foucault's (1979d/2008: 133) estimation, the polar opposite of "contemporary American anarcho-capitalism," involving as it did a "government [that] is active, vigilant, and intervening."

Rather than identifying the emergence of "neo-liberalism" with the English-speaking world, Foucault associated its origins with postwar Germany. Declaring that modern societies are characterized by the "gradual, piecemeal, but continuous take-over by the state," Foucault (1979e/2008: 76, 80) dated "neo-liberalism" from

April 1948 when West Germany relaxed wartime controls in order to foster economic growth. In explaining the significance of this shift, Foucault (1979e/2008: 85–86, 83) argued that the actions of the German state were a classic example of a rational "self-limiting" state that builds its own power by allowing a substantial measure "of economic freedom," thereby fostering economic growth that acts as "a legitimizing foundation of the state." Arguing that "neo-liberalism" was rooted in "German Christian Democracy," Foucault (1979f/2008: 185–186, 192) also suggested that the success of the German model – based on "economic freedom" within the confines of a supervisory state – saw it gradually adopted by other states, including those of France and the United States.

In referencing Foucault's ideas on "neo-liberalism," *both* neoconservatives and opponents of the Thatcherite-Reagan process of economic deregulation take too much solace from Foucault's writings. "Neo-liberalism" as Foucault understood it was premised on a dominant state apparatus, powerful trade unions, joint oversight of firms by management-union works councils, and a Christian democratic emphasis on social welfare. Despite this, it is also nevertheless the case that neoconservatives can justly take more comfort in Foucault's views in 1978–1980 than can proponents of socialism or even Keynesianism. In a lecture to the College of France on 31 January 1979, for example, Foucault (1979e/2008: 85–86) advised his audience that in "the practice of economic freedom" the modern state "rediscovers" its "real foundation." Foucault (1979e/2008: 81) also informed his listeners that "a state which violates the basic freedoms, the essential rights of citizens, is no longer representative of its citizens." This is a formula that closely resembles that outlined by Jean-Jacques Rousseau (1762/1950: 58) in *The Social Contract*, where he argued that the state is legitimated through the fact it is an agent of "the general will." If it fails to serve the needs of the "general will," then it loses its legitimacy.

A significant shift in Foucault's thinking is also heralded by what he came to regard as the essential precondition for economic success in modern societies, namely, an investment in "human capital." Pointing to the extraordinary success of the Western and Japanese economies in the postwar period, Foucault (1979g/2008: 232) concluded that these achievements could not be ascribed to the "variables of classical analysis," but were instead the result of "cultural and educational policies." Conversely, the postcolonial "failure of Third World economies" was attributable, in Foucault's (1979g/2008: 232) estimation, primarily to an "insufficient investment in human capital." Foucault also famously associated "human capital" with a new manifestation of "homo economicus," whereby the worker brings "his own capital" (i.e., his or her educational attributes, motivation, social skills, etc.) to the employment contract. In commenting on Foucault's usage of this terminology, Cooper (2015: 15) associated it with yet another manifestation of "disciplinary" power, whereby the "neo-liberal conception" of "entrepreneurs of the self" caused humans to "lose their standing as being simply valuable as *humans*" [emphasis in original]. While there *is* a hint of this interpretation in Foucault's wording, Cooper's interpretation is nevertheless misguided. Far from associating "entrepreneurs of the self" with manifestations of oppression, Foucault was linking it to a more educationally rounded worker, one who had a far more dynamic and important role in the creation of wealth than did earlier generations of workers.

If we were to summarize Foucault's understanding of governmentality, the state, and "neo-liberalism," it is evident that his *primary* concern was still with oppressive manifestations of power, which in the late 1970s he increasingly associated with a "self-limiting" state. In the German form of "neo-liberalism," however, he saw hopeful signs, associated with "economic freedom" and a greater enrichment of "human capital."

The changed emphasis in Foucault's discussions of the relationship between the state, the markets, and the individuals was no doubt a reflection of a number of things. Expert in detecting the winds of shifting intellectual fashion, Foucault's more considered discussion of markets and economic growth reflected in part the climate of the times as the postwar economic boom lost steam during the 1970s amid recession and the so-called Middle Eastern "oil shock." More fundamentally, we can detect in Foucault's lectures an increasingly libertarian tone in which his liberal ideas on sexuality and personal identity are reflected in his ideas on economics. Constantly, in his lectures before the College of France, we see evidence of Foucault's (1979c/2008: 42, 22; 1979b/2008: 22) interest in the relationship between "liberalism" and "freedom and of law," and between "liberalism" and economic "liberty" and "freedoms." It is hard not to associate this shift with the ever-increasing amounts of time that Foucault was spending not only as a visiting professor at the University of California, Berkeley, but also as a patron of the gay bathhouses and sadomasochist bars of San Francisco's Folsom Street. Reflecting on "the wide-open, almost giddy social whirl of the leather scene in San Francisco," Foucault informed a colleague that the new "way of life" that he had discovered was "extraordinary" and "unbelievable. These men live for casual sex and drugs. Incredible! There are no such places in France" (cited, Miller 1993: 261). Nowhere on earth was there a more libertarian culture than that constantly inhabited by Foucault in the late 1970s and early 1980s.

For the discipline of management history, there are no more important topics than those touched on by Foucault in 1978–1979, issues relating to freedom, human capital, employee motivation, markets, and the role of the state in a liberal, capitalist society. By 1981, however, Foucault had lost interest in these seminal issues, focusing instead on "subjectivity and truth" and the ways in which a self-centered "care for oneself" had supposedly characterized antiquity during "the long summer of Hellenistic and Roman thought" (Foucault 1982a/2005: 2, 9). Given Foucault's personal circumstances, which saw him constantly travelling between Paris and San Francisco's gay bars and bathhouses, a renewed focus on personal identity and sexuality was hardly surprising. In addition to Foucault's lectures to the College of France, his renewed interest in these themes also manifested itself in the completion in 1984 of two new volumes in his *The History of Sexuality*, namely, *The Use of Pleasure: Volume 2 of the History of Sexuality* and *The Care of the Self*: *Volume 3 of the History of Sexuality* (Foucault 1984a/1985, 1984b/1986). Increasingly, however, Foucault's lectures were as much concerned with death as with life. In a lecture given on 24 March 1982, Foucault (1982b/2005: 478) solemnly advised his audience that "death is, of course, not just a possible event; it is a necessary event," one that "many occur at any time, at any moment." Rather than treating death "as the supreme misfortune," Foucault (1982b/2005: 478) continued, we should embrace it, treating it as "a privileged exercise." Tragically, such words suggested someone preparing for their own imminent demise. So it transpired, Foucault dying from AIDS on 25 June 1984 at Paris's Hôpital de la Salpêtrière, the very one in which he had studied mental illness as part of his doctoral studies (Miller 1993: 24).

Conclusion

From the ruins of war and German occupation, postwar France profoundly influenced not only Western philosophy but also the whole intellectual climate of the West through the work of Jean-Paul Sartre, Albert Camus, Louis Althusser, Jean-Francois Lyotard, Jacques Derrida, Roland Barthes, Paul-Michel Foucault, and countless others. For all their differences, the unifying thread to this body of work was a quest for freedom, circumstances that would allow individual being the fullest expression of its capabilities. Paradoxically, however, in the course of this quest, all of these French intellectuals – with the partial exception of Camus – sought inspiration in nineteenth- and early twentieth-century German thought. Althusser looked to Marx. Sartre's work on existentialism was informed by Heidegger. Derrida derived many of his key ideas, directly or indirectly, from Husserl. Foucault, even though he downplayed the link late in his career, was a disciple of Nietzsche. In speaking to issues of human existence and freedom, the ideas of all these French intellectuals clearly found a global resonance. Yet, in exploring the nature of power, oppression, and freedom, all of these French thinkers spoke to a Western society that had never been freer or more prosperous, a world where not only democracy but also civil and social rights for women, gays, and people of color advanced at an unprecedented rate. This points to a circumstance where, for many, pondering over matters of personal identity were more important than the problems of subsistence and economic growth that had concerned previous generations.

Among France's postwar intellectuals, Foucault was more successful than any other in speaking to the concerns of his time. In doing so, Foucault expounded an essentially Nietzschean world view, one little interested with the mechanics of production and economics but much concerned with the limits that the society placed on the individual. His doctoral thesis, published in the English-speaking world as *Madness and Civilization: A History of Insanity in the Age of Reason*, spoke not only to the plight of the eccentric, the outcast, and the marginalized. It also argued – as Nietzsche had done – that "reason's subjugation of non-reason" in the modern world had resulted in a diminishment of human essence, which had supposedly thrived in the mysticism, violence, and irrationality of the pre-modern world (Foucault 1961/1965: 9, 221). Always able to adapt the focus of his research in accordance with shifts in intellectual fashion, in the mid-to-late 1960s Foucault (1966/1994: xx, 86–87) published on the importance of language and of the relationship between conformism, “the fundamental codes of a culture,” *epistemes* of knowledge, and the ways in which knowledge, language, and power “are rigorously interwoven.” In the mid-1970s, in *Discipline and Punish* and *The History of Sexuality: An Introduction*, Foucault took up themes that spoke to the fears and aspirations of a new, rebellious generation. Modern society, Foucault (1975/1991) warned in *Discipline and Punish*, was modeled on the Panopticon, a mythical 12-sided prison where the supervisory sources of power and authority were able to direct their “normalizing” gaze into every corner of existence. Similarly, in *The History of Sexuality*, Foucault (1976/1978: 140, 145) advised his readers that we have entered “an era of ‘bio-power’” that embraced “the entire political technology of life.” In writing about historical method in his essay, “Nietzsche, Genealogy, History,” Foucault (1971/1984: 54, 61) suggested – as did Nietzsche – that what was held to be historically true was merely a social construct, one maintained by “the rules of discursive ‘policing’.” In the late 1970s, Foucault made the power of the state and “governmentality” the central focus of interest, identifying its power and oppressive authority with a new “regime of truth” in which the “liberal” state entrenched its power through an exercise “of governmental reason” that co-opted various social and economic interests (Foucault 1979b/2008: 1).

If Foucault’s research career was characterized by a measure of opportunism – Jean-Paul Sartre (1966/1971: 110) declaring that “Foucault gives the people what they needed” – there was nevertheless a fundamental consistency to his work. In Foucault’s estimation, power is exercised by obtaining the consent – or rather the “normalization” – of the individual, a process secured by the socialized acceptance of the “codes of culture,” and of the dominant and dominating *epistemes* and discourses. In the final analysis, this social, cultural, and linguistic mechanism of control is perceived to be historical in nature, supposedly built around an agreed understanding of how the society came to be constructed around values and beliefs which the society holds as “true.” Accordingly, for Foucault – as with Nietzsche – the path to freedom lies in overturning accepted understandings of history and substituting a new, liberating vision of the past, present, and future.

In assessing Foucault’s work, Sartre (1966/1971: 110) accurately noted that it was built around “the denial of history,” not only as it was recorded but also as it had historically transpired. This Nietzschean rejection of history confronts us with the same issues that transfixed France’s famed generation of postwar intellectuals: the nature of freedom, the truth, and the historical experience. These are complex problems that Foucault invariably solved in a Nietzschean fashion. For Foucault’s – as with Nietzsche – historical experience and historical discourse are one and the same thing. In other words, if we change a society’s historical discourse – what it holds to be true – we change history. This is a profoundly mistaken view. For history is manifest not only in written words and theoretical imaginings but also in an institutional inheritance: machines, managerial expertise, political institutions, institutionalized social relationships, and competing interests. We can change our imaginings of the past and still be trapped in the past’s institutional and material legacy. At the time of writing (early 2020), for example, the people of Hong Kong are engaged in a battle for political and economic freedom.

This battle, in part, involves the Hong Kong people freeing themselves from concocted Chinese Communist Party imaginings of the past. However, to simply invent a new "liberating" history in a Nietzschean/Foucauldian fashion does everyone a disservice. For Hong Kong, even if it was free of communism, would still face many perils, all of them rooted in the historical experience: a conservative Confucian intellectual tradition, a political tradition of Western legal rights constructed without the democratic institutions and practices that underpin these rights elsewhere, an economy heavily dependent upon their powerful neighbor/ruler. None of these problems can be imagined away. Rather they need to be fully understood if they are to be transcended.

If the Foucauldian intellectual tradition is a hindrance rather than a help in overcoming the legacies of the past, it manifests even bigger problems in its understandings of freedom. Libertarian in ethos, Foucault's body of work – like that of Nietzsche – opposed authority on every front. But, as Albert Camus (1951/1978: 159) asked in considering the nature of individual freedom, "is a world without laws a free world?" In Camus's (1951/1978: 287) considered opinion, the experience of history reveals the answer to this fundamental question, namely, that "Absolute freedom is the right of the strongest to dominate." The greatness of Nietzsche's work is found in the fact that he never shied away from this obvious conclusion, identifying absolute freedom with the "superman," a remorseless and amoral individual free of all restraints. Inevitably, this is the end that the Nietzschean and Foucauldian dreams and imaginings lead toward.

Cross-References

- ▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
- ▶ Management History in the Modern World: An Overview
- ▶ Management in Antiquity: Part 1 – the Binds of Geography
- ▶ The Intellectual Origins of Postmodernism
- ▶ What Is Management?

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Jacques Derrida: Cosmopolitan Critic

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Bradley Bowden

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Abstract

The product of a glorious flowering of post-war French intellectual thought, Derrida's ideas were an "assemblage," constructed from a unique synthesis of the work of Friedrich Nietzsche, Edmund Husserl, Martin Heidegger, Ferdinand de Saussure, and Emmanuel Levinas. As such, they spoke to the key issues in the human experience: knowledge, individual identity, consciousness, language, and freedom. In exploring these themes in the late 1960s and early 1970s, Derrida proclaimed an uncompromising message. The entire structure of Western language, based upon "four thousand years of linear writing," was responsible for a deeply entrenched system of psychic and physical "oppression," a system of tyranny that manifested itself in a "technical and scientific economy" that paid little heed to the spiritual well-being of its members. Calling for a "Nietzschean demolition" of the Western logos, Derrida advocated a far-reaching "deconstruction" of the whole structure of Western language and thought. In practice, however, Derrida's far-reaching objectives have proved difficult to achieve, "deconstructionism" typically manifesting itself simply as a device for literary or textual criticism. In exploring the strengths and weaknesses of Derrida's

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theoretical frameworks, this chapter traces Derrida career and intellectual development from the submission of his thesis on Edmund Husserl in 1954 until his death from pancreatic cancer in 2004.

Keywords

Derrida · Foucault · Heidegger · Husserl · Deconstructionism · Post-structuralism · Postmodernism · Linguistic turn · Sartre · Camus

Introduction

Jacques Derrida stands alongside Michel Foucault as a commanding giant of twentieth-century postmodernist thought. In many ways, the lives and intellectual progress of these two men moved in parallel. Both studied at France's most prestigious educational institution, the École Normale Supérieure, Derrida meeting Foucault on his first day as a student. As students, both were fed on the same diet of German-dominated idealist philosophy: Georg Hegel, Edmund Husserl, Martin Heidegger, and Friedrich Nietzsche. Studying in a Parisian intellectual climate where the existentialist philosophy of Jean-Paul Sartre and Albert Camus was predominant, both men eventually rebelled against existentialism's undercurrent of humanism. Products of France's elite cultural and educational institutions, both became perpetual insiders, enjoying appointments to a series of prestigious positions. Of the two, Derrida arguably boasted the more conventional and meritorious career. After graduation, Derrida obtained a scholarship to study at Harvard. Between 1964 and 1984, he taught at his old *alma mater*, the École Normale Supérieure. In 1981, the French government appointed him as a Director of the College International de Philosophie, responsible for the standing of the French nation in terms of its philosophic reputation (Lamont 1987: 599). His intellectual standing assured, Derrida found permanent employment in 1986 at the University of California, Irvine, teaching there until his death from pancreatic cancer in 2004.

Across his well-rewarded career, Derrida – like Foucault – proved a relentless critique of modernity and the whole structure of Western thought. Whereas a Nietzschean interest in power underpinned Foucault's critiques, Derrida focused his attention on the interrelationship between knowledge and language, declaring in the introduction to the book that first won him international attention, *Speech and Phenomena*, that in any "theory of knowledge . . . First we must deal with the problem of language" (Derrida 1967a/1973: 7, 10). From this standpoint, Derrida (1967b/2001: 47) launched an assault on what he called "the fundamental permanence of the logico-philosophical heritage" (i.e., the Western intellectual tradition), associating it with "nothing but the most original and powerful ethnocentricism" (Derrida 1967c/1976: 3). Once ensconced in California, his criticisms became more overtly political, Derrida (1993a/2006: 106) arguing in *Spectres of Marx* – a book based on a series of Derrida's American lectures from 1993 – that "never have violence, inequality, exclusion, and thus economic oppression affected so many human beings in the history of earth and humanity."

If the careers of Derrida and Foucault often seemed to march in unison, there were also notable differences. Unlike Foucault, a member from birth of France's *haute bourgeoisie* (Miller 1993: 39), Derrida (2003a/2008: 31) described himself as "a sort of child in the margins of Europe, a child of the Mediterranean." Born into a family of Algerian Jews, Derrida and his family experienced persecution due to their religious faith. During World War II, the anti-Semitic policies of the pro-German Vichy regime caused Derrida to be excluded from his secular school in Algiers, studying instead at a Jewish religious school. After Algerian independence, the anti-Semitic policies of the Arab regime stripped Derrida's family of their citizenship, forcing Derrida's parents to flee to France. In reflecting on Derrida's youth, David Mikics (2009: 11) concludes that he was from "the beginning … an intellectual outsider, a rebel." This is overstatement. Like his Algerian-born and raised contemporary, Albert Camus, Derrida grew up in a society that regarded itself as French. Algeria itself was regarded as part of metropolitan France rather than an overseas territory, as much a part of France as Normandy or Brittany. As Derrida (2003a/2008: 32–33) himself recalled, even though he "lived on the edge of an Arab neighbourhood," the language of Arab majority "was unknown … to me." Once the Vichy regime was evicted in November 1942, Algiers also became – as Derrida (2003a/2008: 32) remembered – the "French literary capital in exile," a society characterized by "a cultural effervescence, the presence of writers, a proliferation of journals." Arriving in European France at the age of 19, Derrida gained entry to a peculiar French institution, the *hypokhâgne*, a boarding school that prepared students for the entrance examinations to the École Normale Supérieure, a place where his diligent studies made him part of a cultural elite (Mikics 2009: 23). Rather than it being the case that Derrida's background made him an "outsider," it is more accurate to say that his experiences caused him to feel himself a cosmopolitan member of a "universal civilization," a "Western culture" that included the Middle East, the Maghreb, and Islam among its constitutive elements (Derrida 2003b/2008: 39). As Mustapha Chérif (2003/2008: 103) expressed it at his funeral, Derrida lived a life faithful "to more than one identity, as a Frenchman, as an Algerian, as a Jew, as a citizen of the world."

Cosmopolitan in his origins, Derrida's comparatively humble background – his father was a wine and spirit salesman – also appears to have made him a more diligent student than Foucault, who throughout his life showed a constant propensity to move into new areas where he boasted little in the way of training or expertise: language, prison reform, sexuality, and forms of government. Completing his mandatory thesis at the École Normale Supérieure on the philosophy of Edmund Husserl in 1954, Derrida developed an encyclopedic understanding of Western philosophy in general and German idealist philosophy in particular. Clearly annoyed by Foucault's willingness to pontificate on matters where he had limited understanding, in the 1960s Derrida could not resist opportunities to show his superior knowledge vis-à-vis his better known contemporary. In a Sorbonne conference paper delivered in 1963, entitled "The Cogito and the History of Madness," subsequently republished in *Writing and Difference,* Derrida carried out a devastating evisceration of Foucault's (1961/1965) *Madness and Civilization*, a work based on Foucault's thesis. In doing so, Derrida (1967b/2001: 45) accused Foucault of a multitude of "methodological" and "philosophical" errors. In 1968, another attack followed, this time aimed at Foucault's (1966/1994) *The Order of Things*, the best-selling book that made Foucault an intellectual celebrity. Although Derrida avoided mentioning Foucault by name on this occasion, the title of the paper, "The Ends of Man," left the reader in little doubt as to the intended target. Any confusion as to intended target was also alleviated by a quote from Foucault's book that stood at the commencement of Derrida's (1968a/1982: 111) paper, in which Foucault is cited as saying "man is an invention of recent date. And one perhaps nearing its end." In condemning "such and such an author" (i.e., Foucault), Derrida (1968a/1982: 119) noted a propensity to "read . . . a text poorly, or simply not at all," while at the same time laying claim "to great ingenuousness" and a supposed capacity to have "surpassed or overturned" previous intellectual understandings.

Boasting an encyclopedic understanding of philosophy and a penetrating mind, Derrida was arguably at his best in critiquing or "deconstructing" the work of other authors. In his comprehension of the strengths and weaknesses of the work of Hegel, Husserl, Heidegger, Ferdinand de Saussure, and Emmanuel Levinas, Derrida was arguably unsurpassed. His deep understanding of the some of the most complex and difficult works of idealist philosophy and language also enabled Derrida to construct a unique, inherently complex theoretical framework. As Derrida (1968b/1973: 130) himself explained in his famed study on "Differance," initially presented to the French Philosophic Society in January 1968, his core theoretical framework drew on many sources. From Levinas, Derrida obtained the concept of "trace," the idea that one concept or phrase contains evidence of something fundamentally different. From Heidegger, Derrida derived his understanding of "Being," the primordial essence of existence that is supposedly repressed by the experience of modernity. Husserl, with his belief that knowledge rests on a "transcendental consciousness" was central to Derrida's understanding of knowledge. The Swiss linguist, de Saussure, provided Derrida with his understandings as to structure and differences in language.

In essence, Derrida's claim to theoretical originality rested on one complex (and dubious) construct: a construct summed up in the word "differance" [spelt with an "a" rather than an "e"] or to be more exact, the French word "déférence."

Drawn from the verb "déférer," a word that technically translates into English as "to defer," the concept of *differance* as applied by Derrida involved a number of interrelated understandings. As Derrida (1968b/1973: 160, 149) expressed it, *differance* is supposedly produced by the "marriage between speech and Being," and is thus "inseparable" from the "concept of trace." In turn, "the trace" is a "psychic imprint" (Derrida 1976c/1976: 66), a "ultratranscendental concept of life" that is spiritually alive but which "cannot reside in the world but only in language, in the transcendental disquietude of language" (Derrida 1967a/1973: 14–15). Much simplified, and translated into ordinary English, what Derrida is saying is that language *always* contains evidence – behind the accepted meanings of the words – of a repressed essence, a partially excluded and hidden identity. Thus, for example, when we consider one phrase, i.e., American Independence – a "signifier" in linguistic terminology – what is conventionally being conveyed in terms of meaning – what is linguistically "signified" is the inaugural struggle for American independence and freedom, c.1776. Derrida, however, would have us believe that behind this "signifier" there lurk not only different meanings – i.e., Native American dispossession, the exclusion of adherents to Britain, the entrenchment of slavery in the American South – but also a variety of "psychic imprints," in which language maintains "transcendental life" as "the archives" of consciousness (Derrida 1967a/1973: 15). Significantly, in looking at the ways in which "traces," "psychic imprints," are given existence through language, Derrida (1967c/1976: 14) argued for the primacy of written language over verbal speech, suggesting that "there is no linguistic sign before writing." Indeed, Derrida argued, because verbal speech disappears into the ether the moment it is spoken – and because the physical experience of the past is irretrievable – it is only through the "privileged" status of writing that the spiritual essence of the past survives. Accordingly, as Derrida (1967c/1976: 158), famously concluded in *Of Grammatology*, "*Il n'y a pas de hors texte*" ("there is nothing outside the text").

On the basis of his insights into language and knowledge, Derrida (1967c/1976: 10, 86) grandiosely claimed that not only could one "deconstruct" a given text, one could also – and should also – participate in the deconstruction of the entire Western intellectual tradition; a process that necessarily entailed the "de-sedimentation" of "four thousand years of linear writing." Indeed, Derrida (1968b/1973: 135) warned, to attempt "deconstruction" using conventional methodologies risked not only one's own intellectual contamination, it would also lead to one "ceaselessly confirming, consolidating" the existing structures of language and knowledge rather than undermining them "in a discontinuous and irruptive fashion." What was at stake in this intellectual battle, Derrida (1967c/1976: 86) had one believe, was the very essence of human freedom and being; a psychic freedom suppressed by the terrible "technical and scientific economy" that Western language, thinking and rationality had produced.

Inherently complex, Derrida's deconstructionist methodology has been embraced – in general principle – by wide swathes of Western academia. In a book entitled *Deconstructing History*, the late British historian, Alun Munslow (1997: 3) proclaimed that, "The deconstructionist consciousness" defines history as "the study not of change over time" but, rather, as "the study of the information produced by historians"; a formulae that echoed Derrida's view that "there is nothing outside the text." In a similar vein, the Dutch postmodernist, Frank Ankersmit (1989: 145) noted that, "in the postmodernist view, evidence does not point towards the *past* but different *interpretations* of the past" [emphasis in original]. Summing up the situation that prevailed in Britain in 1992, Raphael Samuel (1992: 220–221) – in an article sub-titled "Fact-grubbers and Mind-readers" – lamented how, with "the deconstructivist turn," history had come to be widely seen "not as a record of the past, more or less faithful to the facts . . . but as an invention, or fiction."

If Derrida's deconstructionist approach found favor among many, it also attracted a host of detractors. Prominent among those who regarded Derrida's proposed methodology as an elaborate theoretical hoax was Michel Foucault. In an appendix to *History of Madness* – an expanded and modified version of the earlier *Madness and Civilization* – Foucault (1972/2006: 573) dismissed Derrida's approach as a "well-determined little pedagogy . . .which teaches the student that there is nothing outside the text." As a result, Foucault (1972/2006: 573) continued, historians were reduced to a spurious "invention of voices behind the text," avoiding in the process the far more productive task of "situating discursive practices in the field of transformation where they are carried out." Newton Garver, whose translation of *Speech and Phenomena* first brought Derrida's work to the English-speaking world, also worried about the implications of Derrida's thinking. By "attacking the whole tradition in which language is conceived as founded on logic rather than on rhetoric," Garver (1973: xiii, xxvii) bemoaned in his Preface to *Speech and Phenomena*, Derrida "may be enticing us along a path to nowhere." Many traditional historians were even more dismissive of Derrida's formulations, Chris Lorenz (1998: 356) advising his readers that, "Anyone who applies Derrida's '*Il n'y a pas de hors texte*' to the writing of history ceases to be of interest to the historian *qua* historian."

Arguably the greatest problem with Derrida's deconstructionist framework is the fact that it is nigh impossible of application in anything like its originally articulated form. In this Derrida's intellectual influence suffered by comparison with Foucault. As Derrida well-understood, Foucault's concepts were typically based on dubious theoretical interpretations and a thin body of reading. Theoretically weak, Foucault's ideas on discourse, power, and governmentality were nevertheless creative, more easily digested, and more easily applied. By comparison, those who apply a Derrida-informed deconstructionist approach – most particularly in history – rarely pay much heed to the philosophical underpinnings of Derrida's work; underpinnings associated with highly abstract views on "Being," "trace," "difference" and "psychic imprint." Instead, the "deconstructionist" historian has typically done little more than reference Derrida while carrying out a fairly conventional work of literary criticism, where one pays greater heed to a study's philosophical and political underpinnings than to the "facts" it outlines. Such problems are evident in Derrida's own attempt to engage in a "radical deconstruction of the distinction between war and terrorism" in the wake of the 9/11 attacks on New York and Washington. In an analysis that borders on the banal, Derrida (2003c: 86–87) constantly downplays the significance of the "event" with the repeated observation "that we do not know what we are talking about." For, Derrida (2003c: 89) claimed, the "event," "the so-called "thing" (i.e., 9/11), is more an "impression" than a fact, a creation of an "information apparatus," an "organizing information machine." On the other hand, Derrida (2003c: 110, 121) pays much attention to the "incredibly destructive computer technologies" associated with "an age of so-called globalization," an epoch that saw the Islamic world "dispossessed of the so-called natural riches of the world." Whether one agrees with the thrust of this analysis or not, there was nothing in it that was philosophically profound. Similar themed articles could easily be read in the popular press.

In exploring Derrida's ideas in depth, this chapter must necessarily also consider the ideas that shaped his thinking, underpinnings that are theoretically complex in nature. Accordingly, in tracing the shifts in Derrida's understandings we begin the section entitled, "Derrida's Formative Concepts: Spirit, Knowledge and Language" of this chapter with a consideration of Edmund Husserl's ideas on knowledge, and the shifting relationship of Derrida's own epistemological positions vis-à-vis Husserl. In doing so, this section also traces how Derrida's ideas were subject to profound alteration during the late 1950s and early 1960s as the French intellectual world became transfixed by debates about language associated with de Saussure. In the ensuing section "Critiquing the Western Intellectual Heritage, 1967–1980," we explore how in the 1960s and early 1970s Derrida constructed his own perspective by amalgamating understandings from Husserl, de Saussure, Heidegger, Levinas, and Roland Barthes. In the chapter's final section, we explore the ideas articulated by Derrida in his later years after moving to the United States, a period when Derrida adopted theoretical and political positions that were characterized by both a greater clarity of language and shallowness of thought.

Derrida's Formative Concepts: Spirit, Knowledge and Language

In a lecture delivered in March 1987, and subsequently published as *Of Spirit: Heidegger and the Question*, Derrida (1987/1989: 3–4) lamented the fact the concept of transcendental "spirit," which had occupied "a major and obvious place in his [Heidegger's] line of thought, should have been disinherited . . .No one wants anything to do with it any more . . . no one ever speaks of spirit." A similar comment could be made in relation to all of the German idealist thinkers who influenced Derrida. In an increasingly secular world to explain human knowledge, individual behavior and historical events through reference to a divine or spiritual being would be seen by most, I suspect, as ludicrous, harking back to an age of superstition out of keeping with a modern world premised on science and rationality. It was, however, the embrace of science and rationality – and a corresponding neglect of matters relating to the soul, the spirit, feeling and emotion – that most concerned German idealist thinkers from Johann Fichte to Heidegger. Accordingly, if we to understand the underpinnings of not only German idealism but also Derrida's thinking, we need to understand these frameworks in terms of their own essential purpose: to explain the human condition in terms of Enlightenment intellectual principles that avoided traditional Christian theology while giving a central place to consciousness, spirit, and a pervasive transcendental essence or being.

In attempting to explain both the place of humanity in the world and the importance of individual consciousness, Fichte – who arguably laid the foundations for all subsequent German idealist thinkers and, hence, Derrida – postulated that an all-pervasive spirit, which he called "Nature," gave motive force to every expression of physical existence. As Fichte (1799/1910: 11, 7) expressed it, "When I contemplate all things as one whole, one Nature, there is but one power . . . for Nature is one connected whole . . . Every part contains the whole, for *only* through the whole is each part of what it is" [emphasis in original]. If Fichte's ideas of an all-pervasive spirit profoundly influenced all subsequent German idealist philosophy, we can nevertheless discern two distinct substrands within it: one emphasizing the ways in which the "Spirit" supposedly guided the whole historical process and the other concerned with the centrality of spiritual essence to individual consciousness, will and freedom. Among those who emphasized the essential unity of the historical process, none was more significant than Georg Hegel (1837/1956: 25) who argued in his *Philosophy of History* that individual actions – and indeed those of entire nations – are merely "the means and instruments of a higher and broader purpose of which they know nothing," but "which they realize unconsciously." Significantly, during the time that Derrida and Foucault were students at the École Normale Supérieure, interest in Hegel's thought was at its peak. Both studied under the leading Hegelian philosopher, Jean Hyppolite. In a Preface written in 1990 to mark the publication of the dissertation he completed at the École Normale Supérieure, Derrida (1990/2003: xiv) also singled Hyppolite out for his formative influence, noting how in 1954 Hyppolite had read and commented upon his thesis "with his normal solicitude"; a comment that points to a close and influential relationship.

If Hegelianism was a significant element in both French existentialist and Marxist philosophy in Paris during the early 1950s, even more important was the second substrand of German idealist thought, a tradition that emphasized the overriding importance of individual consciousness and spirit. As Martin Heidegger (1975/1985) noted in a series of lectures subsequently published as *Schelling's Treatise on the Essence of Human Freedom*, the writings of Friedrich Schelling were most significant in establishing this tradition, profoundly influencing not only Heidegger himself but also Nietzsche and Husserl. For Schelling (1799a/2004, 1799b/2004, 1809/2006), as for those who followed in his footsteps, empiricism with its attention to facts and material reality was a curse, hindering rather than assisting understanding. As Schelling (1799a/2004: 201) explained, "experimental science" is nothing but "a mongrel idea," and "physics . . .nothing but a collection of facts." Both mistake the outward manifestations of spirit for its inner purposeful essence. In the case of human consciousness, Schelling (1809/2006: 10) argued in his *Philosophical Investigations into the Essence of Human Freedom*, an inner spirit (*triesfeder)* provided every human with their "unconscious and invisible driving force," a force that – if left unfettered – impelled the individual towards both "freedom" and a "striving for knowledge." For Arthur Schopenhauer, whose ideas profoundly shaped the thinking of Nietzsche, it was also the case that "knowledge" stemmed primarily from an inner spirit. The "knowledge of cause and effect, as the universal condition of understanding," Schopenhauer (1859/1969: 19, 124) argued, stems not from experience and inquiry but rather from within, as an "a priori" construct of consciousness; a consciousness that is in turn a product of an inner "being or true essence."

As a student at the École Normale Supérieure in the early 1950s, Derrida operated in an environment where German idealist understandings as to consciousness, being, and knowledge were predominant. In undertaking his dissertation for his Diploma of Advanced Studies, it is thus not surprising that Derrida turned his attention to Edmund Husserl, a secular Jew born in the modern-day Czech Republic who served as Professor of Philosophy at the University of Freiburg between 1916 and 1928. In this role, Husserl directly influenced not only Emmanuel Levinas, a French philosopher and linguist who completed his doctoral thesis on Husserl in 1930 – and whose concept of the "trace" was seminal to Derrida's mature work – but also Heidegger, who served as Husserl's understudy in the early 1920s. Such was the influence of Husserl on Heidegger's thinking that in completing his seminal work, *Being and Time*, Heidegger (1927/1962: 38) recorded that, "The following investigation would not have been possible if the ground had not been prepared by Edmund Husserl." Derrida's interest in Husserl was also facilitated by the Sorbonne's Maurice de Gandillac, who not only acted as Derrida's supervisor but who also, along with a Fr. Van Breda, organized access to Husserl's unpublished papers, held at Louvain in Belgium (Derrida 1990/2003: xiv). Derrida's lecturer in Hegelian thought, Jean Hyppolite, also helped bring about the publication of Derrida's (1962/1978) translation of Edmund Husserl's *Origin of Geometry*, a translation that represented Derrida's first venture into the world of book publishing.

In many ways, Husserl was an unlikely idealist philosopher, Derrida (1954/2003: 16) accurately describing him in his thesis as "a disappointed mathematician." Completing his PhD in mathematics at the University of Vienna in 1883, Husserl's transition from rationalist mathematician to idealist philosopher involved a circuitous exploration in to the nature of knowledge, triggered by the early twentieth-century revolution in mathematics and physics (Garver 1973: xii). This caused Husserl to ponder the nature of knowledge and the human capacity for abstract mathematical thought. In pondering these fundamental questions, Husserl initially found himself – as Derrida (1954/2003: 9–10) explained – torn between two different explanations: one founded on psychology which associated knowledge with learned experience and the other premised on Kantian philosophy, which associated abstract mathematics and conceptual understandings with "a priori" capacities. After considering these discordant positions, Husserl came to articulate ever-more idealist positions, eventually arguing in favor of what he called a "phenomenological philosophy." In doing so, Husserl (1913/1983: 35, 149–150) claimed that empirical research – with its emphasis on science and rationality – was a source of error; error caused by an unwillingness to recognize that "pure consciousness" was the true wellspring of knowledge.

By undertaking his thesis on Husserl, Derrida found himself considering the most fundamental philosophical debates as to the nature of knowledge; a not inconsiderable task for a student who was still only 24 years old when he submitted his thesis. In exploring Husserl's answers to these debates, Derrida (1954/2003: xix–xxii) asked an even more fundamental question than that explored by Husserl himself, namely: If a pure, transcendental conscious is the source of all knowledge, then what is the "genesis" or source of this transcendental consciousness? Posed at the start of his intellectual career, the search for an answer to this question was to remain central to Derrida's life work.

As a work of philosophy, Derrida's thesis is significant more for the questions he asked – and for the depth of knowledge that he diligently acquired – than for any far-reaching conclusions. What is nevertheless obvious in Derrida's theoretical conclusions is a belief that Husserl had understated rather than overstated the importance of a spiritually-inspired transcendental consciousness, the youthful Derrida (1954/2003: 173) arguing in favor of the displacement of "scientific objectivism" as a basis of knowledge by what he called "a transcendental subjectivism." Notable by its absence in Derrida's thesis is any discussion of language, or of the relationship between language and knowledge. The contrast between Derrida's thesis and the views that he articulated in his first major book, *Speech and Phenomena*, is therefore marked. In this latter work, Derrida (1967a/1973: 10) commenced his study with the claim that in any discussion of knowledge we must, "First . . . deal with the problem of language." Derrida (1967a/1973: 18) also now chose to lambast Husserl for his ignorance as to the difference between a linguist "signifier" and what is "signified."

In choosing to make his stand on the basis of language, Derrida was hardly showing great originality. By the late 1950s, as we have previously discussed in our (▶ Chap. 29, "Paul-Michel Foucault: Prophet and Paradox" by Bowden) chapter on Michel Foucault, interest in language and the ideas of de Saussure was almost universal in French intellectual circles. Through his study, *Mythologies*, Barthes, in particular, proved the "oracle of the hour" (Miller 1993: 133). Drawing on his experiences of Japanese society, where nonverbal cues are an important aspect of language, Barthes (1957/1972: 115) argued that in art and literature, in particular, the depiction of one concept or object often masks a far more fundamental understanding. Even in his newfound criticism of Husserl, Derrida was hardly original. As Derrida (1967a/1973: 18) himself conceded in *Speech and Phenomena*, "Everyone knows" that Husserl made "no distinction" between linguist signs, between what is signified and the signifier.

To understand the subsequent direction of Derrida's work, it is therefore necessary for us to first consider the understandings of language that were circulating in France during the late 1950s; beliefs built around concepts articulated by de Saussure prior to World War I.

Born in 1859, Saussure represented a type of academic that was once common but which is now rare: the well-trained and original scholar who conveys his research through teaching rather than publication. On his death in 1913, the intellectual legacy of de Saussure, who had written nothing of note during his career, was rescued by his former students, who pieced together their lecture notes so as to publish a *Course in General Linguistics* under de Saussure's name. In this, de Saussure (1915/1974: 15) is recalled as saying that although "speech" and the act of speaking (*parole*) are individual and "heterogeneous," it is nevertheless only through language as a "social institution" that meaning is established. Accordingly, individuals can vary through their speech but not language, which is historically constructed and bound by rigid rules of grammar and meaning. Contradicting classical understandings such as those recorded by Plato (c.370 BC/1972) in his *Phaedrus*, de Saussure also prioritized written language over spoken speech, noting that although the pronunciation of words varies over time, written language rarely suffers change. In the case of a Shakespeare play, for example, a modern performance would enunciate the words very differently to the pronunciation of

Elizabethan England. Nevertheless, the written words – and the meaning of those words – have remained constant across half a millennia. In emphasizing the ways in which written language gives a deep historical structure to knowledge and social interaction, de Saussure noted that one of the peculiarities of phonetic-based languages is that they do not reference concepts directly. Instead, they designate sounds. Not only was the association between sounds and concepts an indirect one, de Saussure (1915/1974: 113) observed, it was also inherently "arbitrary" in nature. Even in the same language a wide variety of sound combinations (and hence words) can be used to describe the same thing. In English, for example, I can describe someone I like as a "friend," "buddy," "mate," or "chum." To distinguish between the thing being described and the combination of sounds used to describe it, de Saussure described the former as what is "signified" and the latter as the "signifier." Thus, if we are describing a "cat" then the cat is what is "signified," and the terms used to describe a cat (cat, tabby, kitten, and moggy) are the "signifiers."

In his analysis of language, de Saussure came to two key conclusions that were of fundamental importance for the mature Derrida. First, as we have noted above, he argued that written language has a deep, historical structure that makes it "a social institution." Second, the inherently arbitrary association of sounds and concepts means that "language" is founded upon difference: differences in the organization of sounds; differences in the association of sounds and words; differences in emphasis; and difference in the placement of letters, words, and phrases. Indeed, de Saussure (1915/1974: 120) determined, "in language there are only differences . . . A linguistic system is a series of differences of sound combined with a series of differences of ideas."

Derrida, in reframing de Saussure's conclusions – and his own conceptual framework – articulated three core propositions. First, in the paper delivered at the Sorbonne in 1963 as a broadside against Foucault, "Cognito and the History of Madness," Derrida (1967b/2001: 47) argued – building upon de Saussure's idea of deep historical structure – that Western thought was based upon a "logico-philosophical heritage," a tradition of language, thought, and reasoning that stretched back in an unbroken chain to ancient Greek philosophy. By failing to recognize the cohesion and permanence of this tradition of thought, Derrida (1967b/2001: 46–48) suggested, Foucault had made a fundamental error. Moreover, Derrida (1967b/2001: 66–67) continued, in not appreciating the deep structure of Western thought and language – and the need to attack it at its roots – Foucault's work revealed itself as "structuralist," plagued by "a totalitarian and historicist style." Derrida's second, and even more significant argument, was built upon de Saussure's emphasis on linguistic difference. Emphasizing de Saussure's point that within a "system of language, there are only differences," Derrida (1968a/1973: 140) constructed his key concept of "déférence" or "differance" [spelt with an "a"]. As Derrida subsequently (1968a/1973: 14) argued, "differance" maintained not only "the difference that preserves language," it also preserved "memory" and, with it, the essence of spiritual being (Derrida 1967b/2001: 253–255). In articulating his concept of "differance," Derrida controversially argued that language, knowledge, meaning, memory, and the essence of being needed to be freed from the constraining structures of language. By “erasing” the very distinction between “signifier” and what is “signified,” Derrida (1967b/2001: 354) believed that we can bring about a profound spiritual and intellectual awakening, dissolving “the opposition between the sensible and the intelligible.” In expounding upon his concept of “differance,” Derrida (1968b/1973: 149) linked it with the concept of a linguistic and spiritual “trace,” advising attendees to a Paris conference in 1968 that, “The concept of trace” is “inseparable from the concept of differance.” In part, Derrida’s concept of trace was derived from Emmanuel Levinas (1957/1987: 103), who suggested in his *Meaning and Sense* that in written language a “trace” is like a face behind a mask, in that “a mask presupposes a face.” In other words, behind one construction of words and their associated meaning there lurks “traces” of other meanings, of which the author themselves may be unaware. In becoming a critic rather than a critical disciple of Husserl, Derrida (1968b/1973: 152–153) – as he recounted in his 1968 paper – also drew inspiration for his own peculiar understanding of “trace” from the work of Nietzsche, Sigmund Freud, and, above all, Heidegger. In weaving Heidegger’s concept of *Dasein* or primordial Being into his concept of “trace,” Derrida made his understanding of language and “deconstruction” far more that a form of literary criticism. Instead, he argued that linguistic “trace” represented within language a “living present… a primordial and incessant synthesis that is constantly led back upon itself.”

Inherently complex and of dubious veracity, the core concepts which Derrida was to expound from the late 1960s onwards – the oppressive nature of the Western “logico-philosophical heritage,” “déférence”/“differance,” and a primordial understanding of “trace” – were not only theoretically original, they were also grounded in a deep understanding of linguistic theory and German idealist philosophy.

Critiquing the Western Intellectual Heritage, 1967–1980

A relatively unknown intellectual figure in the mid-1960s, Derrida found fame in 1967 when three books: *Speech and Phenomena*, *Of Grammatology*, and *Writing and Difference* were published within months of each other. Finding favor among French readers, each of these works was also soon published in other languages as well, most notably English. In 1972, another three books appeared: *Positions* (Derrida 1972a/1981), *Dissemination* (Derrida 1972b/2004) and, most significantly, *Margins of Philosophy* (Derrida 1972c/1982). His works in popular demand, by the early 1970s Derrida was producing books at the rate of almost one a year. As Derrida’s popular reputation soared his interest in the traditional norms of French academia and philosophy – and, correspondingly, the regard for Derrida within French philosophy departments – suffered a marked decline. Whereas between 1963 and 1967 Derrida had published between three and five articles per year in French philosophical journals, between 1978 and 1984 he published one, the solitary article appearing in 1984. During the same period, Derrida published only three articles in philosophy journals outside of France. By contrast, he published 25 articles in journals given over to literary criticism. Of these publications, 17 were associated with United States outlets (Lamont 1987: 604).

There has always been a paradoxical element to Derrida's popular success. Not only did Derrida deal with inherently complex philosophical matters, he also made his discussions of philosophy far more complex than they needed to be. As Newton Garver (1973: xxvi), one of the two translators of *Speech and Phenomena* noted, Derrida's work was "full of metaphors," of "unrestrained literary extravagance . . . of florid language that sometimes leaves one mystified as to Derrida's intent." Cynically, the American sociologist, Michele Lamont (1987: 595) contends that is Derrida's very literary complexity that was key to his success as "deconstructionism" became "a cultural *produit deluxe,*" a luxury intellectual item "barely accessible even to the highly educated."

While there is no doubt an element of truth in Lamont's claim, obscurity of literary style by itself can hardly explain Derrida's remarkable success. Instead, his appeal must be primarily attributed to both the nature and timing of his message. Derrida's paper, "The Ends of Man" – which took aim at not only Foucault but the whole structure of Western politics, philosophy, and language – was delivered in Paris in the midst of the student-worker uprising of May 1968. To this youthful, educated, and rebellious cohort – disillusioned as it was with authority in general (including Marxism) – Derrida delivered an uncompromising message. In his May 1968 paper, for example, Derrida (1968a/1982: 114) declared that Western "freedom" was an illusion, a mere "image or appearance," capable of deceiving only the "naïve" and those who were "purposely blind." In the books published in the preceding year – most particularly *Of Grammatology* and *Writing and Difference* – Derrida advocated a similar position. The entire structure of Western language, based upon "four thousand years of linear writing," was responsible for a deeply entrenched system of psychic and physical "oppression," a system of tyranny that manifested itself in a "technical and scientific economy" that paid little heed to the spiritual well-being of its members (Derrida 1967c/1976: 86). Culturally imperialist, the "logocentrism" of the West – built around an overriding belief in rationality and science – was also, Derrida (1967c/1976: 3) declared, premised on "ethnocentrism," remorselessly "imposing itself" on non-Western societies.

In *Of Grammatology*, Derrida (1967c/1976: 3, 10) – like Schelling before him – also took aim at the "concept of science" and "the great metaphysical, scientific, technical and economic adventure of the West." Given that "the very idea of science was born in a certain epoch of [phonetic] writing," Derrida (1967c/1976: 27) continued, the principles of scientific inquiry had to be deconstructed and reconceptualized along with all the other intellectual and linguistic manifestations of the "logos." In carrying out this "deconstruction," Derrida (1967c/1976: 24, 43) proclaimed that it would necessarily entail a process of "subversion" of "the greatest totality," one which challenged "the concept of the *episteme* and logocentric metaphysics," of "writing" and "all the Western modes of analysis." While any reader of Derrida's work at this time might be confused as to the exact means through which this "deconstruction" of the entire structure of Western thought and language could be achieved, no one could doubt Derrida's far-reaching intent.

It was not only all the manifestations of the "logos" that were the target of Derrida's intellectual assault in the late 1960s and early 1970s. Derrida also targeted his existentialist and Marxist compatriots, finding particular offense in the existentialist humanism that Sartre had espoused during the 1940s and 1950s. Intellectually, this existential humanism, Derrida (1968b/1973: 115) accurately noted, was founded upon a mistranslation of Heidegger's concept of *Dasein*, a term which Sartre had translated in his most influential book, *Being and Nothingness*, as "human-reality." Declaring this translation to be "monstrous," Derrida (1968b/1973: 115, 134) lamented how French existentialism had led intellectual society away from a proper understanding of "the Heideggerian destruction of metaphysical humanism"; an understanding that placed consciousness, spirit and a primordial essence of being at the center of epistemology.

In taking aim at the whole structure of Western language and thought, Derrida made written language his chosen field of battle, famously declaring – as we noted in our introduction – that, "*Il n'y a pas de hors texte*" ("there is nothing outside the text"). In doing so, Derrida, (1967c/1976: 144–145) in his *Of Grammatology*, associated his comprehensions of "differance" and "trace" with the "concept of the supplement." According to Derrida's (1967c/1976: 144) estimation, any "representative image" in language "harbours within itself two significations whose cohabitation is as strange as it is necessary." Within language, Derrida (1967c/1976: 144) added, "The supplement adds itself, it is a surplus, a plenitude enriching another plenitude, the fullest measure of presence." Translated into ordinary English, the "concept of the supplement" points to multiple meanings within text. In applying his own understanding of the "supplement" to a deconstruction of Jean-Jacques Rousseau's *Essay on the Origin of Language* – one of Rousseau's more obscure texts that was never published in his lifetime – Derrida found hidden meanings that were previously undiscernible. In explaining his remarkable success, Derrida (1976c/1976: 246) advised the reader that Rousseau, "says what he does not wish to say, describes what he does not wish to conclude." In other words, Derrida could detect a meaning fundamentally different from that which Rousseau had consciously intended. Significantly, Derrida (1967c/1976: 246) claimed that, "Rousseau is not alone in being caught in the graphic of supplementary. All meaning and therefore all discourse is caught there." In following through this logic to its conclusion, Derrida suggested that every reader could – and should – follow his example in searching for supplementary or alternative meanings within texts. Accordingly, Derrida (1967c/1976: 159) concluded, all "our reading must be intrinsic and remain within the text."

In dismissing Derrida's ideas of "deconstruction," "Being," and "trace as "gobbledygook" and "unrecyclable rubbish," the Canadian philosopher, Mario Bunge (1996: 97), no doubt summed up the attitude of many. Such perfunctory dismissals, however, cannot disguise the extraordinary impact of Derrida's seminal ideas from the late 1960s and early 1970s, ideas that underpinned the so-called linguist turn in the social sciences (Fay 1998).

Deconstructionism's enduring legacy is found in a changed research focus among broad swathes of the Western intelligentsia; a shift that has seen *reinterpretation* of texts and other signs (i.e., American Civil War monuments, statues commemorating New World "discoverers," theatrical plays, visual art, etc.) gain increasing primacy. The reason for this, as Ankersmit (1990: 281), explained in a deliberate echo of Derrida, is that, "Texts are all we have and we can only compare texts with texts." In short, nothing exists before it is recorded in some form of "writing." So-called reliable primary sources are, in this line of thinking, mere manifestations of past and present structures of power and inequality. Indeed, as Derrida (1967b/2001: 284–285) concluded in *Writing and Difference*, such records are supposedly based on constant "censorship," the continued "vigilance" of the powerful "over perception."

Amid the brickbats and bouquets that Derrida's deconstructionist notions have attracted arguably the most balanced and insightful was that made by Newton Garver in the preface to Derrida's first significant book, *Speech and Phenomena*. In his analysis, Garver (1973: xii) made the accurate observation that, historically, post-Enlightenment philosophy had discussed knowledge without reference to language. Even more significantly, Garver (1973: ix) observed, since the Middle Ages the whole tradition of Western thought – where it did focus on language – paid much greater heed to grammar and logic than to rhetoric. Typically, logic was perceived as a pathway to rationality, science, and an accurate understanding of the world, whereas rhetoric was a matter of mere style. What Derrida's critiques sought to achieve, Garver (1973: xii) continued, was to undermine "the whole tradition in which language is conceived as founded on logic rather than rhetoric." In other words, Derrida sought to make language more an agent for social and intellectual transformation rather than of understanding.

The idea that rhetoric as an agent of change should predominant in the writing of history has arguably never been stronger than it is at the present. In the field of management history – as I pointed out in my earlier study, *Work, Wealth and Postmodernism* – this is reflected in the historical methodologies advocated by what I have called the "Rhetorical School," a school of thought principally associated with Roy Suddaby (currently the Program Chair of the Management History Division of the Academy of Management) and his various co-authors and collaborators: William (Bill) Foster, Royston Greenwood, Alison Minkus, Diego Coraila, and Max Ganzin (see Bowden 2018: 220–230, for a summary of this literature). Thus we are informed by Suddaby and Greenwood (2005: 41), in an article entitled "Rhetoric Strategies for Resistance," that: "Rhetorical strategies are the deliberate use of persuasive language to legitimate or resist innovation." Like Derrida before them, those that emphasize the power of "rhetoric" believe that history is not objectively real but is instead "highly malleable and open to revision" (Suddaby and Foster 2017: 31). Viewed from the point of view of the Rhetorical School, it therefore follows that managerial authority can be dismantled through alternative "rhetorics" of resistance (Suddaby and Greenwood 2005: 41). According to Suddaby (2016: 54–55), we also need to free ourselves from "the objective elements of history of truth" as these constrain "what can and cannot be done in the social-symbolic realm"; a formulae that would no doubt have won Derrida's approval.

Derrida, 1981–2004: Political and Social Critic

Derrida's intellectual reputation largely rests on the books he published between 1967 and 1972, works that drew on the idealist philosophies that characterized post-war France. In these works, Derrida rarely concerned himself with contemporary debates about politics or social affairs. Instead, his focus of study was the entire "logico-philosophical heritage" of Western culture. Implicit in Derrida's work in the late 1960s and early 1970s is the belief that any contemporary campaigns for social or political change merely scratch the surface, given that the fundamental problem of society is found in the psychic repression and ethnocentrism that is supposedly intrinsic to the whole structure of Western language and thought.

Hitherto directed towards an elite philosophical market, in the 1980s and 1990s a profound shift characterized the style and direction of Derrida's work, if not its underlying philosophical and epistemological principles. Increasingly, Derrida spoke directly to the perceived problems of contemporary society, addressing such matters as inequality, anti-Semitism, terrorism, totalitarian tendencies in modern societies, and even illegal drug use. In doing so, the form and style of Derrida's work also changed. Whereas Derrida's three seminal studies from 1967 – *Speech and Phenomena*, *Of Grammatology* and *Writing and Difference* – were philosophically abstract and linguistically convoluted works of considerable length, Derrida's publications from the mid-1980s onwards largely fell into two categories: academic articles directed towards American literary criticism and collected works built around short essays, lectures, and interviews. Prominent among this latter category were: *Of Spirit: Heidegger and the Question* (Derrida 1987/1989), *Points: Interviews, 1974–1994* (Derrida 1992a/1995), *Spectres of Marx* (Derrida 1993a/2006), the Shoah Research Centre's *An Interview with Professor Jacques Derrida* (Derrida 1998), *Islam and the West: A Conversation with Jacques Derrida* (Derrida 2003d/2008), *Paper Machine* (Derrida 2002/2005), and the edited interviews in *Philosophy in a Time of Terror: Dialogues with Jürgen Habermas and Jacques Derrida* (Borradori 2003).

It is easy to attribute the shift in Derrida's work to his relocation to the University of California, Irvine, in 1986. However, it is perhaps more accurate to conclude that Derrida's physical relocation was an *effect* of the changed style in Derrida's work and in the audience to whom it was directed. In French intellectual circles, as Lamont (1987: 601) noted, interest in Derrida's deconstructionist theories "decreased significantly after a 1972–73 boom." By comparison, in the United States, most particularly in the field of critical literature, fascination with Derrida's theories increased exponentially. As we have previously noted, it was also the case that after 1968 Derrida virtually ceased publishing in French philosophical journals. In other words, the primary audience for Derrida's work after 1980 was no longer the cultural elite of France but rather the American market.

In terms of intellectual themes, Derrida's later work was built around two key arguments. First, he now drew a direct link between twentieth-century totalitarianism and the Western world's cultural and linguistic heritage. In *Of Spirit: Heidegger and the Question*, for example, Derrida (1987/1989: 109–110) made a causal connection between "Nazism" and Western "culture," arguing that the rise of Nazism was only made possible due to the sheltering "silence" of "political regimes, economic structures, religious or academic institutions." The second theme that came to characterize Derrida's work was the argument that modern Western societies were lurching towards new forms of totalitarianism that involved frequent but unrecorded "quasi-instantaneous mass murders" and "incredibly destructive computer technologies" (Derrida 2003c: 89, 110). Everywhere, Derrida (1993a/2006: 15) claimed to experience "a troubling effect of '*déjà vu*', and even of a certain '*toujours déjà vu*'" (repeatedly seen before), in which contemporary circumstances reminded him of the slide towards fascism that he experienced during his childhood. In an interview with Israel's Shoah (Holocaust) Research Centre in 1998, Derrida (1998: 2) went on to argue that any supposed advantages of "Western rationality" were "called into question" by the Nazi-induced Holocaust and death camps of World War II; events that "the Western metaphysics of Europe" made "possible," or at least did not make "impossible."

Increasingly, Derrida's pronunciations were directed not towards the philosophical and linguistic underpinnings of Western society but rather towards denunciations of what he perceived to be a catastrophic present. In summing up his views on modernity in a series of interviews published as *Philosophy in a Time of Terror*, Derrida (2003c: 121) asserted that "the disparities between human societies, the social and economic inequalities, have probably never been greater and more spectacular." In a new globalized economy built around "computer technologies" and "technoeconomic power," Derrida (2003c: 110, 121) also found evidence of systematic global inequalities in patterns of internet access, noting that whereas "in 1999 half of all American households" had internet access, across the globe "less than 5 percent of humanity" enjoyed this benefit. In an article originally published in the journal, *Differences: A Journal of Feminist Cultural Studies*, Derrida also engaged in a deconstruction of the official narrative around illegal drug use. Associating drug use with systems of pleasure and play, Derrida (1993b/1995: 236. 230) called for an "effective and transforming questioning" of drug enforcement laws, advising his readers that, "Natural law dictates that each of us be left the freedom to do as we will with our desire, our soul, and our body; as well as with that stuff known as 'drugs'." In many ways, Derrida (1993b/1995: 234) continued, the taking of illegal drugs was no different to common practices of writing. "Writing is irresponsibility itself," Derrida (1993b/1995: 234) claimed, "the orphanage of a wandering and playful sign. Writing is not only a drug, it is a game, *paideia*, and a bad game if it is no longer ruled by a concern for philosophic truth."

In his new role as a global Jerimiah of impending doom, Derrida also increasingly drew upon a Marxist viewpoint that he had spurned in his youth. "Upon rereading the [Communist] *Manifesto* and a few other great works of Marx," Derrida (1993a/2006: 13, 14) advised the readers of *Spectres of Marx*,

> I said to myself that I know of few texts in the philosophic tradition, perhaps none, whose lessons seemed more urgent today . . . No text seems as lucid concerning the way in which the political is becoming worldwide . . . And few texts have shed so much light on law,

> international law, and nationalism . . . There will be no future without this. Not without Marx, without the memory and the inheritance of Marx.

In their opposition to the contemporary "politico-hegemony" of capitalism, Derrida (1993a/2006: 15, 67) continued, he and like-minded colleagues were thus "heirs of Marxism, even before wanting or refusing to be."

It is easy to find fault with Derrida's messianic predictions which associated humanity's future with famine, privation and oppression. For, far from being associated with a slide into an economic and social abyss, the closing decades of the twentieth-century and the opening decades of the twenty-first century were associated with unprecedented improvements in the circumstances of the world's poorest people. As the United Nations Secretary-General, Antonio Guterres (2017: 23) noted in his 2017 Secretary-General's Report, the percentage of the global population experiencing malnourishment fell to an historic low of 11% in 2014–2015. Between 2000 and 2016, the percentage of the world's population estimated to be living in poverty also halved (Guterres 2017: 10–11). Derrida's belief that internet usage was a preserve of wealthy nations, and the source of a new global system of inequality, was also misplaced. In mid-2019, more than half the world's internet users – an incredible 2.3 billion people – were found in Asia. There were also far more Internet users in Africa (522.8 million) and Latin America and the Caribbean (453.7 million) than there were in North America (327 million). In Latin America and the Caribbean, and in the Middle East, the percentage of the population who boasted access to the internet was close of 70%. Even in Africa, the continent with the lowest level of access, 39.6% of the population were using the Internet in 2019 (Internet World Stats 2019). Everywhere, increased Internet access made the position of authoritarian and totalitarian regimes more difficult, providing the global population access to a wider range of views and – as the recent experiences in Hong Kong have demonstrated – an organizing platform for rebellion.

If the individual predictions of Derrida were often faulty a more fundamental problem is found in his fundamental premise that Western language and thought is inherently oppressive, a constant breeding ground for totalitarianism. For, far from it being the case that totalitarianism is the natural condition of Western societies, the reverse applies. In virtually every Western society, democracy is well-established. Where totalitarianism threats have emerged they have been fiercely resisted, often at great human and material cost. Nor has science provided the threat to the human spirit that Schelling, Husserl, Heidegger and Derrida believed it to be. Across the globe, science and improved technology has entailed higher levels of education, improved leisure opportunities, better health conditions and greater economic opportunities for ever increasing numbers. In 2015, in virtually every Western society, more than a quarter of the adult population boasted a university degree (Bowden 2018: 282). Thus, when those who find inspiration in Derrida, whether directly or indirectly, end up declaring that the "postmodernist's aim . . . is to pull the carpet out from under the feet of science and modernism" (Ankersmit 1989: 142), they are declaring opposition not only to the sins of modernity but also to the circumstances that make its immeasurable benefits possible. Admittedly, Derrida (2003b/2008: 42–

43), in one of his last recorded interviews, *did* declare himself a supporter of democracy with the observation that, “To exist in a democracy is to agree to be challenged . . . A democracy is a social organization in which every citizen has the right to say everything, the right to criticize.” What Derrida did not explain, however, is how this praiseworthy democratic outcome emerged from the “logico-philosophical heritage” that he spent his life condemning.

Conclusion

In his translator’s introduction to arguably Derrida’s most important book, *Writing and Difference*, Alan Bass (1977/2001: xv) warned would-be readers that, “Derrida is difficult to read.” In reflecting on Derrida’s writing style, Newton Garver (1973: xxvi) made a similar observation, advising his readers that, “I would not expect them to read the present work without frequent discomfort and occasional dismay.” The inherent difficulty involved in reading Derrida’s seminal texts – and the fact that these studies typically dealt with some of the most complex matters in idealist philosophy – impede explanation of Derrida’s extraordinary popular success, the latter decades of his career being built around the sale of books (typically in English translation) rather than the esteem he was held in philosophic circles. Nor was Derrida himself ever able to clearly designate the principles upon which the “deconstruction” of a text should be based. In attempting to explain his principles in an interview conducted late in his career, for example, Derrida (1992b/1995: 216) confusingly declared, “All texts are different. One must try never to measure them ‘on the same scale’. And never to read them ‘with the same eye’. Each text calls for, so to speak, another ‘eye’.”

How then to explain Derrida’s appeal? In essence, Derrida – like Foucault and Hayden White – benefited from the timing of his message, one which spoke of knowledge and “the dream of emancipation” (Derrida 1967b/2001: 33) at a time when a rebellious, university-educated youth found itself alienated from the traditional norms and structures of society. For, as we have noted in this chapter, no one made a more sweeping critique of modernity than Derrida. Whereas Jean-Francois Lyotard (1979/1991: 47) spoke of “a generalized computerization of society,” and Foucault wrote of constraining discourses and *epistemes*, Derrida associated oppression with the entire “logico-philosophical heritage” of Western language and thought. If there was any hope for human emancipation, Derrida (1967b/2001: 32) proclaimed in *Writing and Difference*, then this could only be built upon a prior emancipation from language. For, in Derrida’s estimation, everywhere that the “ethnocentric” structures of Western language and thought advanced the inevitable consequence was psychic oppression and a repression of individual essence and Being. Through reference to his concept of “déférence” or “differance” [with an “a”], Derrida also claimed an ability to facilitate not only linguistic difference but also the essence of individual difference. Derrida also contended that written language contained “traces” and “residues” of a full range of experiences of which the author themselves may not have been fully consciously aware. Collectively, Derrida

(1967c/1976: 19) boasted in *On Grammatology*, the adoption of his principles would allow the groundwork for "the Nietzschean demolition" of the whole structure of Western *logos* (knowledge and understanding).

The product of a glorious flowering of post-war French intellectual thought, Derrida's ideas were inevitably – as he himself conceded in his paper on "Differance" in 1968 (Derrida 1968b/1973: 130–131) – an "assemblage," constructed from a unique synthesis of the work of Friedrich Nietzsche, Edmund Husserl, Martin Heidegger, Ferdinand de Saussure, and Emmanuel Levinas. As such, they spoke to the key issues in the human experience: knowledge, individual identity, consciousness, language, and freedom. Boasting the very best education that France could provide as well as a penetrating mind, Derrida was arguably at his best in raising questions rather than in providing answers, in critiquing the positions of others rather than in creating an intellectual model capable of being easily understood and applied by others. Yes, it is true, that modern academic practices of literary or textual "deconstruction" owe a clear debt to Derrida. Such practices are, however, a pale shadow of the claims made by Derrida on behalf of his theoretical framework in the late 1960s and early 1970s, a period that saw Derrida (1971/1973: 329) grandiosely declare that,

> Deconstruction does not consist in passing from one concept to another, but in overturning and displacing a conceptual order, as well as the nonconceptual order with which the conceptual order is articulated.

Having associated his work with unachievable intellectual outcomes, Derrida found himself in the position that Newton Garver (1973: xxvii), the translator of *Speech and Phenomena*, feared his work was heading in 1973, "along a path to nowhere." Certainly, none of Derrida's later work were characterized by the philosophic depth or originality of those published between 1967 and 1972. More fundamentally, Derrida's entire body of work pales by comparison with the leading figures of French humanist existentialism, most notable Jean-Paul Sartre and Albert Camus; figures who differed from Derrida in making the nature and conditions of freedom the center of their concerns. Whereas Derrida perceived psychic oppression in every aspect of the Western experience, Sartre (1943/1956: 30) argued in his *Being and Nothingness* that "the essence of [a] human being is suspended" in their "freedom," and that "freedom is impossible to distinguish from the being of 'human reality'." Whereas Derrida argued that a full and total "emancipation" requires the freeing of the individual consciousness from all the constraints imposed by Western language and its "logico-philosophical heritage," Camus 1951/1978: 291) observed in *The Rebel* that, "Absolute freedom mocks at justice," allowing the strong to overpower the weak. Accordingly, Camus (1951/1978: 290) concluded, "There is no justice in society without natural or civil rights as its basis. There are no rights without expression of those rights." In Camus's (1951/1978: 225) estimation, the very success of Western democracies rested on what he called "the law of moderation," a unique capacity to respect individual rights within a context of checks and balances. This is an understanding that Derrida never appears to have understood.

Cross-References

- ▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
- ▶ Management History in the Modern World: An Overview
- ▶ Paul-Michel Foucault: Prophet and Paradox
- ▶ The Intellectual Origins of Postmodernism
- ▶ What Is Management?

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Hayden White and His Influence

31

Bradley Bowden

Contents

Abstract

A figure who courted controversy, White's profound influence on the discipline of management history is acknowledged by friend and foe alike. Like Foucault and Derrida, White made the interrelationship between language and knowledge the key to his unique brand of historiography, declaring that there is always a "fictive character" to "historical reconstruction." In consequence, "history" was for White "a place of fantasy . . . all story, no plot, no explanation, no ideological implication at all – that is to say, 'myth'." For White, historians do not "record" history. Rather they "do" history, creating a new, imaginary world. In exploring the life and ideas of Hayden White from the time of his entry into Detroit's Wayne State University in the late 1940s, this chapter observes that although White's ideas were similar to those of French postmodernists, he came to his conclusions via an independent path. In blurring the lines between history and myth, however, White continually confronted difficulty in debates as to whether historical events such as the Holocaust were "historically" real or simply matters of historical representations.

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Introduction

The son of a Detroit automobile worker who obtained a veteran's scholarship to Wayne State University after the briefest of stints in the navy during World War II, the late Hayden White (1968a: 10) described the city of his youth as a "cultural and social wasteland." Yet, within this metaphorical wasteland, a student at Wayne State University only had to wander a few hundred meters to find themselves amidst the artistic splendors of one of the world's greatest art galleries, the Detroit Institute of Art. Within its walls any visitor, then as now, was exposed to a wondrous reconfiguration of reality in the works of Pieter Bruegel the Elder, Albrecht Dürer, Henri Matisse, Pablo Picasso, and an almost countless array of Renaissance and Impressionist masters. Even if a visitor was blind to the institute's art collection, no one could ignore the reconfiguration of Detroit's working experience captured on the wall panels of the gallery's forecourt, the work of the Mexican communist, Diego Rivera. It is thus not entirely surprising that White came to embody a form of history that blurred the distinction between the historical narrative and literature, between the "factual" and the "fictive." Indeed, for White (2005a: 333), history's "subject matter, that is, the past," was "a place of fantasy," an intellectual world where myth and the historical narrative were inseparable.

A figure who courted controversy, White's profound influence on the discipline of management history is acknowledged by friend and foe alike. Writing in the late 1980s, the Dutch postmodernist Frank Ankersmit (1989: 183) declared White's *Metahistory* "the most revolutionary book in the philosophy of history" written in "the previous twenty-five years." In a similar vein, the Australian feminist historians, Ann Curthoys and Ann McGrath (2009: ix), hailed White for redefining "historical writing as writing, as a form of creativity and textuality." Even declared opponents, such as the English Marxist Alex Callinicos (1995: 51), concede that "White's work is undoubtedly the decisive influence on contemporary discussions of history as narrative." Among postmodernist-inclined or "critical" management historians, it is Hayden White – rather than Foucault – that has arguably been most influential in shaping a new dissident tradition within the discipline. In their recent chapter in the *Routledge Companion of Management and Organizational History*, Jacques and Durepos (2015: 96), for example, point to "White's theory of emplotment" as a model in terms of "how facts and traces get ordered into a story form." In an article in *Academy of Management Review*, Rowlinson et al. (2014: 251) similarly point to White in delineating "the kind of history we mean." In the opinion of the late Alun Munslow (2015: 129, 136) as well, White redefined the nature of "historical work," convincing many that "history" can never be more than "a prose discourse" in which meanings "are fictively constructed."

At first glance White's appeal appears paradoxical. In large part, White's reputation rests on a single book, *Metahistory*, published in 1973. His other major works – *Tropics of Discourse* (White 1978/1985), *The Content of the Form* (White 1987), and *The Practical Past* (White 2014) – are, for all intents and purposes, collections of short essays. It is also fair to say that none of his major works are an easy read. Of his best-selling *Metahistory*, White himself conceded:

> . . . it's an intimidatingly long book. It's very tiresome and repetitive. Most people who read it read some of the introduction and maybe read around a bit. But no one reads it through. (Cited, McLemee 2018: 4)

White's claim to theoretical originality is also threadbare. As White himself willingly acknowledged, his main theoretical claims – that historical "facts" are manufactured by the historian, that the primary purpose of history should be one of inspiration rather than historical accuracy, and that the modern focus on science and rationality has come at a great cost to the human spirit – were drawn from Benedetto Croce, Giambattista Vico, and, to a lesser degree, Friedrich Nietzsche. White's understanding of language, and of the relationship between mythical representations and historical narrative, owed a debt to the French linguist and philosopher, Roland Barthes (Domanska 2008: 3–4; Paul 2011: 91). His argument that any historical narrative was inevitably organized around different "tropes" (i.e., metaphor, metonymy, synecdoche, irony) was obtained from Vico and Kenneth Burke's essay, "Four Master Tropes" (McLemee 2018: 3). Principally concerned with the history of ideas, White's interests were almost solely directed toward Western European philosophy and literature. His most notable study, *Metahistory*, for example, involved a consideration of the ideas of eight (dead white male) European and historians (Hegel, Michelet, Ranke, Tocqueville, Burckhardt, Marx, Nietzsche, Croce). Not surprisingly, this led to complaints by other "critical" historians that White's work was irredeemably "Eurocentric" (Waldman 1981: 785, 789). While the ancestry of White's theoretical conceptions is found in Italian idealist thought, with his key theoretical texts – "The Abiding Relevance of Croce's Idea of History" (White 1963) and "The Burden of History" (White 1966) – predating the major published works of both Jacques Derrida and Michel Foucault, it is nevertheless the case that White's ideas are not dissimilar to those of Foucault. Both believed that a "discourse" or "historical narrative" could never be "objective," given that any discourse or narrative is a social construction, supposedly serving the interests of certain individuals or groups at the expense of others. Highlighting the parallels between his own work and that of Foucault in one of the first English-language critiques of Foucault's ideas, White (1973a) observed that "Foucault represents a continuation of a tradition of historical thought which originates in Romanticism and which was taken up . . . by Nietzsche in the last quarter of the nineteenth century." As White well understood, an identical comment could be made about his own work.

What explains White's extraordinary appeal among "critically" inclined historians? Why is it that so many historians choose to draw on White's conceptualizations rather than Foucault's, given that the latter had not only greater public recognition but also a much wider repertoire, exploring themes as diverse as madness, sexuality, prison reform, philosophy, and governmentality?

Arguably the principal attraction of White's work is found in his constant exposition of what his biographer, Herman Paul (2011: Chap. 2), refers to as a "liberation historiography," the belief that the historian should act as the moral guardian of individual freedom. In summing up his lifelong agenda in an interview with Ewa Domanska in 2008, White declared himself in favor of "progressive history," a genre he defined as:

> . . . born of a concern for the future, the future of one's own family, of one's own community, of the human species, of the earth and nature, a history that goes to the past in order to find intimations . . . that might be useful for dealing with these concerns. (Cited Domanska 2008: 18)

Whereas Foucault (1975/1991, 1977/1988) depicted the modern human condition as one trapped within the confines of a "disciplinary society," White advocated an essentially anarchistic – or what he would have called "romantic" – view of the world, in which all social institutions are regarded as oppressive. In summing up this "romantic" viewpoint in one of his earliest studies, White (1968b: 52, 55) declared that "the individual is *always* the victim, never the beneficiary, of society," adding that "Romanticism . . . regards social institutions, ideas, and values as barriers to overcome" [emphasis in original]. In urging historians to be flagbearers in a universal opposition to authority, White also no doubt won favor by portraying historical writing not as a mundane craft bound to follow the "facts" but rather as "a poetic process" (White 1978/1985: 125), a practice that called for the dissolution of "the very distinction between real and imaginary events" in the cause of human liberation (White 1980: 10).

Associating his type of history with a "poetic" style and a morally virtuous purpose, White depicted more traditional historians as not only epistemologically misguided but also as enemies of freedom, the agents of an oppressive modernity. "What we postmodernists are against," White (2005b: 152) declared late in his career, "is a professional historiography, in service to state apparatuses that have turned against their own citizens, with its epistemically (sic) pinched, ideologically sterile, and superannuated notions of objectivity." Thus, in declaring oneself an adherent of White's methodologies and conceptualizations, one not only associates oneself with a "poetic" style of history but also with a morally virtuous "progressive" cause, a cause that sees one aligned against the dead hand of social reaction as well as outmoded historiographical traditions. Any disciple of White is also granted a license to dissolve accepted meanings in favor of a "liberation historiography." Munslow (2015: 140), for example, in taking inspiration from White, dismissed the practice and profession of management as a mere intellectual construct, arguing that "managers" do not "exist outside (their) discourse."

In White's methodology, the historical process is one constructed around the "event" and the meaning that historians and the wider society ascribe to individual "events" (i.e., the French Revolution, the 9/11 terror attacks). In considering any individual "event," White (2014: 46) argued in *The Practical Past* that the key issue is not whether or not the event actually happened but rather "the nature of the event, its relative novelty, the scope and intensity of its impact, and . . . what it reveals about the society in which it took place." If White had stopped his analysis at this point, there would have been few points of fundamental difference between his understandings of history and those elucidated by earlier generations of historians. Georg Hegel (1837/1956: 11), for example, in his *Philosophy of History*, observed that evidence "is by no means passive," taking meaning from the conceptual "categories" that the historian brings with them. Similarly, E.H. Carr (1961/2001: 18) in his *What Is History?* – a book that was standard fare when I was an undergraduate – advised erstwhile historians that, "By and large, the historian will get the kind of facts that he [or she] wants."

For better or worse, White did not stop his description of the historian's task by noting that the history is built upon interpretation, by weaving "facts' into an explanatory narrative. Instead, White enunciated principles that made him a prophet for some and a pariah for others. "The real" world, White (2005b: 147) proclaimed, consists "of everything that can be truthfully said about its actuality plus everything that can be truthfully said about what it could *possibly* be" [emphasis in original]. White also suggested that history only became "practical" or socially useful when it acted as an agent for "progressive' change. This necessarily entailed, White (2014: 8) advised in *The Practical Past*, a process of historical writing in which "the imagination, intuition, passion, and, yes, even prejudice" are "permitted to take precedence over considerations of veracity, perspicuity, 'plain' speech, and common sense." In abandoning "common sense," White (2014: 47) also concluded that, "Fantasies of alien cultures in outer space and theories of parallel or antithetical universes" are as "real" as a carefully constructed historical narrative if they "reflect the wish, hope, or fear" of a future fundamentally different to the present.

In giving "fantasies" an equal place alongside – or, rather, within – "history," White relegated "facts" to a secondary status, declaring: "Facts belong to speech, language and discourse, not to the real world" (cited Domanska 2008: 5). In short, the value of history is found in its capacity to inspire "progressive" social action.

White's understanding of "facts" and "history" was very different to that enunciated by the French historian, Marc Bloch, who wrote *The Historian's Craft* on scraps of paper while acting as a resistance leader in occupied France during World War II. Arrested, tortured, and, ultimately, executed by the Gestapo, Bloch (1944/1954: 83) observed, while standing on the edge of the grave, that "we have no right to make any assertion which cannot be verified." Yes, it is true that "facts" can be discovered, forgotten, contradicted, and interpreted in many different ways. But, contrary to what White and his intellectual followers have argued, the work of the historian is *not* built around the collection of facts so much as in the testing of hypotheses. Facts are only useful to the extent that they facilitate the verification or rejection of our arguments or theses. In this, the historian's task not only resembles that of the natural scientist but also the carpenter, the architect, and the bridge builder, all of whom are constantly testing theses against verifiable evidence (i.e., will this form of construction result in a stronger or weaker bridge?). In other words, in history – as in other disciplines – intellectual and social progress is obtained by confronting verifiable evidence, not by imagining a world of fantasy.

In exploring Hayden White and his influence, the body of this chapter will comprise three sections, namely, the idealist antecedents to White's historical understandings and his key publications prior to the release of *Metahistory* in 1973; the work of the "mature" Hayden White between the late 1970s and his death in 2018; and, finally, the ways in which White's work has profoundly influenced management history over the last two decades.

Hayden White, 1946–1973

Born in Martin, Tennessee in 1928, Hayden spent his childhood moving backward and forward between his ancestral home and Detroit, where his father obtained work during the Great Depression on a car assembly line. Boasting a humble background, White's personal circumstances were profoundly altered when he enlisted in the navy during the closing months of World War II. Once demobilized, he entered into a bachelor's program in history at Wayne State University with the benefit of a veteran's scholarship. For the rest of his long life, White never again left the hallowed halls of academia. On graduating from Wayne State in 1951, White completed a master's degree at the University of Michigan in 1952, before undertaking doctoral studies on the medieval papacy between 1952 and 1956. During his doctoral studies, White also benefited from a 3-year Fulbright Fellowship (1953–1956), a boon that funded an Italian residence. Having obtained his PhD, White then revisited Italy for another 2-year stint (1961–1962), courtesy of a Social Science Research Council Fellowship (Paul 2008: 78, 2011: 28). Returning to a position at the University of Rochester, White subsequently worked at the University of California, Los Angeles, before going back to Connecticut to take up at a position at Middleton's Wesleyan University. Coming to prominence with the publication of *Metahistory* while at the Wesleyan University, White also benefited from working alongside Richard Vann, the long-term editor of the critically inclined journal, *History and Theory*. His reputation established, White was in 1978 appointed director of the newly established History of Consciousness Department at the University of California, Santa Cruz, retaining a connection with the department for the remainder of his life (Rappaport 2018).

A perusal of White's first significant publication, "The Abiding Relevance of Croce's Idea of History," indicates that by the early 1960s the ideas that White was to articulate over the next half century were already well-formed. From the article's opening paragraph, White (1963: 109) outlined a theme that he returned to constantly in the ensuing decades, declaring: "The social theorist who does not realize that legendary modes of thought will inevitably intrude themselves into his narratives is either epistemologically naïve or is concerned solely with trivial questions." Elsewhere in the article, White (1963: 109, 111, 116, 118) outlined other intellectual positions that were to remain a constant feature of his work: that "Myth, fable and legend loom large in the social thought of our time," that history was only meaningful when it acted as “a history of human liberty,” and that “when properly narrated, history becomes the equal in transforming power to tragic poetry.”

Evidently, two factors profoundly influenced the thinking of the youthful White. The first of these, as White himself recounted, was a professor of history at Wayne State University, William H. Bossenbrook. Such was White’s affection for Bossenbrook that in 1968 he edited a collection of papers by Bossenbrook’s former students, which was then published by Wayne State under the title, *The Uses of History: Essays in Intellectual and Social History presented to William H Bossenbrook*. In the preface to this collection, White (1968b: 10, 9) recorded how Bossenbrook had the “power to endow ideas with the palpability of perceivable objects,” adding: “Once exposed to Bossenbrook, it was impossible not to consider scholarship as a career . . . it was equally unthinkable not to try to teach and write in ways comfortable to what we thought he would approve of.” If Bossenbrook was clearly decisive in instilling an interest in intellectual history in White, it is nevertheless also evident that he provided the mature White with few if any of his understandings of philosophy or history. As White’s biographer notes, “the graduate student who in 1955 completed his thesis on the papal schism of 1130 did not resemble the White of *Metahistory* or *Tropics of Discourse*” (Paul 2008: 93). The causal factor behind the profound rupture in White’s conceptualizations – turning him from a conventional historian interested in medieval history into a critic of mainstream historiography – was his sojourns in Italy (1953–1955, 1961–1962), where he befriended Carlo Antoni, a disciple of Benedetto Croce and a leading exponent of Italian philosophic idealism. Although White subsequently – as the pages of *Metahistory* make clear – showed a deep interest in German philosophic idealism, White nevertheless differed from postmodernist contemporaries such as Foucault and Derrida in making Croce and Giambattista Vico his primary touchstones rather than Nietzsche and Heidegger.

To understand the genealogy of White’s understanding of history, it is therefore necessary that we first consider the idealist philosophy of both Giambattista Vico (1688–1744) and Benedetto Croce (1866–1952).

In his emphasis on history as poetry, and in “emploting” historical narratives in terms of tropes and metaphors, White owes a particular debt to Vico and his principal work, *The New Science*. Completed in 1744, Vico’s work prefigured German idealist philosophers such as Johann Fichte, Friedrich Schelling, Arthur Schopenhauer, and Nietzsche in arguing that the advance of Western civilization came at excessive cost to the human spirit. Prior to the numbing effects of civilization, Vico (1744/1968: 118) believed, people possessed “vast imagination,” an imagination that was “entirely immersed in the senses, buffeted by the passions.” As civilization advanced, Vico (1744/1968: 128) argued, so “these vast imaginations shrank.” All that was left were literary “tropes,” “metaphors” that provided a remnant existence of an older, more spiritual way of perceiving the world. In Vico’s (1744/1968: 131) view, “irony” was of particular use in interpreting the modern world as it is “fashioned in falsehood,” thereby allowing for a greater reflection on societal falsehood.

The themes that Vico developed became a constant feature of White’s work. In an article originally published in the journal, *Clio*, in 1974, for example, White (1974/

1985: 91) advised readers that "The historical narrative does not *image* the things it indicates; it *calls* to *mind* images . . .in the same way metaphor does . . .Properly understood, histories . . . out to be read as symbolic structures, extended metaphors." Such comments, I suggest, only become fully meaningful if we locate them in the intellectual context that inspired them.

As an extended discussion in *Metahistory* made clear, White's (1973b: 415–422) opinion of Vico largely mirrored that of Croce, accepting Vico's emphasis on the "poetic" while rejecting his fundamentally pessimistic view of the human condition, supposedly trapped within the spiritually numbing advances of civilization. By contrast, White's embrace of Croce was enthusiastic. Indeed, in summing up Croce's contribution to historiography a youthful White highlighted features of Croce's work that were to subsequently become hallmarks of his own work. "All of Croce's historical works," White (1963: 121–122) accurately noted, were "more properly . . . moral tracts than 'pure' scholarship," his "conception of liberty" revolving around the "rejection" of any institutionalized solution and a corresponding embrace of an individuality freed of restraints. Admittedly, in embracing Croce, White (1963: 110) realized he was associating his own work with a politically tainted product, given Croce's active support for Mussolini and fascism in the early 1920s. Indeed, White (1963: 110) lamented, "Croce's reputation has fallen as low as it is ever likely to fall, both in Italy and abroad." Fortunately for White, however, the fascist associations of Croce no more damaged his own reputation than did Derrida's framing of his work in concepts derived from the Nazi-inclined Heidegger.

Certainly, if we look to Croce's understandings – and most particularly his *Theory and History of Historiography* – we can ascertain almost all of the viewpoints that historians later came to associate with White. Like the mature White, Croce (1915/1921: 19, 12) believed that "history is principally an act of thought," an intellectual construct of the historian. As the experiences of the past are irreparably lost, any historical reconstruction has to be based on "documents" that are – whatever their claimed provenance – nothing more than "narratives," recorded by some past interest group (Croce 1915/1921: 21, 23). Accordingly, Croce (1915/1921: 75, 69) argued – prefiguring White's subsequent enunciations – "facts really do not exist," it being the case that what we think of as "facts are no longer facts . . . but images." Like the mature White, Croce (1915/1921: 55–57) also repudiated the idea that we can explain historical outcomes through reference to any "universal law." Instead, Croce (1915/1921: 141) declared – as White was wont to do – that "history is always *particular* and always *special*," the product of individual thought and action. Indeed, Croce (1915/1921: 107) suggested, history can never properly be more than "the history of the individual." Consequently, any attempt to explain the "true cause" of events apart from the individual is fatally misguided. In short, for Croce – as, subsequently, for White – history as a lived experience is intensely personal, something that we can never comprehend outside of our own subjective consciousness. History as narrative, by contrast, is a construct of the historian, only fulfilling a useful role when it acts as a source of individual inspiration.

Having in 1963 outlined the principal source of his newfound understandings of history, White completed a more ambitious analysis 3 years later with the publication of "The Burden of History" in the journal, *History and Theory*. Outlining arguments identical to those found in Croce's *Theory and History of Historiography*, White (1966: 112) condemned "history" for acting as "the conservative discipline *par excellence*," distracting the populace from a necessary process of moral and social renewal based around the unrestrained powers of the individual. Calling for "the destruction of the conventional historian's conception of history," White (1966: 114, 127) advocated in its place a "surrealist, expressionistic, or existentialist historiography." In doing so, White (1966: 131, 130) ridiculed conventional historians for their obsession as to "the facts," arguing that the historian had to behave "like the artist," ordering their historical narrative around metaphors and "the purely imaginary." White also dismissed the idea that historians needed to base their work around verifiable theses, discarding those that proved unsatisfactory and adopting new ones in the light of the evidence. Instead, White (1966: 131) argued that the historian should advance metaphor by metaphor, abandoning the metaphor upon which one started in favor of "another, richer, and more inclusive metaphor." In doing so, White declared that historians had to reject concern for the past in order to embrace a transformative present. As White (1966: 123) expressed it, "only be disenthralling human intelligence from the sense of history" will humanity "be able to confront creatively the problems of the present." In other words, historians had to stop being chroniclers of the past so as to become prophets of the future. In doing so, White (1966: 133) concluded, the historian was bound by "a moral charge to free men from the burden of history," demonstrating to the citizenry "that their present condition" was the result "of specifically human choices." Change our choices, and we change past, present, and future. Or so White would have us believe.

The principles that White enunciated in "The Burden of History" were ones that, in broad brush, he remained loyal to for the rest of his life. In terms of the style of history he was proposing and its relationship with other genres, however, a more detailed picture was provided in the collection of essays that White edited for his former history lecturer from Wayne State, William Bossenbrook. Within this collection, in a chapter entitled "Romanticism, Historicism, and Realism," White argued two main propositions. First, he claimed that there was no fundamental difference between historical narratives and the "romantic" or "realist" literature of novelists such as Walter Scott, Honoré de Balzac, and Stendhal. They, White (1968b: 49) recorded, "address similar publics, use the same literary genres . . .and employ similar stylist devices." In other words, according to White, Walter Scott's novel, *Rob Roy*, should be seen in the same light as a conventional narrative history of life in the Scottish Highlands at the time of the Jacobite rising of 1745. This is an argument that has some merit, even if White overstates his case. In my chapter on pre-revolutionary Russia in this *Palgrave Handbook of Management History*, for example, I (▶ Chap. 49, "Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861") repeatedly refer to the novels of Leo Tolstoy, Ivan Turgenev, and Fyodor Dostoyevsky so as to describe not only the intellectual climate of Tsarist Russia but also, more importantly, the lived conditions of the Russian peasantry during the nineteenth century. While giving credence to these accounts, however, I do *not* treat them – as White would have us do – in the same way as I would a historical account, built upon documentary sources such as diaries, tax records, and contemporary descriptions of observed reality. For while Tolstoy's account of farm management in *Anna Karenina* is undoubtedly *based* upon observed experiences, I nevertheless understand that it is a work of fiction, recording the lives of imaginary rather than historical entities and beings.

If his suggestion that there is more than a passing resemblance between historical narrative and the historical novel has merit, White's other main argument in the collection of essays in honor of Bossenbrook – that conventional history, what he referred to as "historicism," is inferior to both literary "realism" and "romanticism" – is more controversial. Exploring a theme that he returned to constantly over his career, White contended that the professionalization of history (i.e., "historicism") was a peculiar and unfortunate attribute of post-Enlightenment Europe, largely attributable to the German theorists, Hegel and Leopold van Ranke. In White's estimation, "historicists" (i.e., professional historians) suffer from two irredeemable faults. First, White (1968b: 53) lamented, "like Vico, the historicist" believes that humanity is "condemned to society in the same way that they are condemned to history." In other words, "historicists" depict individuals not as free agents but as products of their society. The "historicists" second sin, related to the first, is found in the assumption that a study of "social institutions" is of greater value than inspirational narratives that emphasize "free expression" and "individual will" (White 1968b: 55–56). By contrast, White (1968b: 54) also suggested "realist" and "romantic" accounts were of use precisely because they contradicted the core assumptions of the "historicist," pointing to the inherently oppressive nature of all social institutions. Accordingly, as "historians" we are better advised to adopt a "romantic" perspective that inspires Nietzschean-like assertions of human will than an "historicist" approach bound by mundane facts about social institutions.

By 1968, it is evident all of the arguments and theoretical positions that were to characterize White's work – that conventional forms of history need to be demolished, that historical narratives should aspire to be works of literature capable of inspiring transformative change, and that history is better organized on the basis of metaphor rather than of fact – were already fully developed. What was missing from his theoretical positions was not so much a lack of internal cohesion as the absence of a mass readership for his ideas.

Hayden White, 1973–2018

In an editorial introduction penned in 1998, Brian Fay (1998: 2) dated "the so-called linguistic turn" in history from the publication of White's *Metahistory* in 1973. With this work, Fay (1998: 1) proclaimed, "an entire generation of historians was educated to theory and metatheory in a way no previous generation was." As a result, Fay (1998: 2) continued, "the topics of narration and representation replaced . . . explanation" as "the central concern" of new age historians. In a separate assessment, Richard Vann (1998: 22), the editor of *History and Theory* and White's colleague at the Wesleyan University, declared that "The publication in 1973 of

Hayden White's *Metahistory* . . . marked a decisive turn in philosophical thinking about history."

In essence, White's *Metahistory* is two books. The larger part, comprising chapters 2–10 (pp. 81–425), is an extended literature review that begins with Hegel and ends with Croce, White's philosophical hero. The second and much shorter part – covering the preface (pp. 9–12), the introduction, and chapter 1 (pp. 13–80) – represents an expansion of the theoretical and stylistic points that White had previously outlined in "The Burden of History" and "Romanticism, Historicism, and Realism." In summing up the larger part of *Metahistory*, Paul (2011: 60–61) accurately describes it as an account of "good guys and bad guys," of "heroes and villains." Heading up the list of villains are Hegel and, more particularly, Ranke. In comparing Ranke's professional histories unfavorably to Walter Scott's "novels of romance," White (1973b: 163, 174) declares that "repudiation of Romanticism was the basis of Ranke's realistic historiography," a failing that made Ranke – and, by implication, all other conventional historians – an inherently "conservative" ideologue, supposedly opposed to "new forms of community in which men might be . . . freed of the restrictions placed upon." Among the "heroes" of *Metahistory*, Nietzsche is much lauded, given pride of place behind Croce. "In historical thought," White (1973b: 331) recorded, "Friedrich Nietzsche marked a turning point, for he . . .denied the reality of any such thing as a historical process." In doing so, White (1973b: 332, 371) continued, Nietzsche not only destroyed "belief in a historical past"; he also created "a second *illusionary* world," a world "in which the weak vie with the strong for the authority to determine how this second world will be characterized."

As White himself understood, typically few readers of *Metahistory* get passed the preface (4 pages) and the introduction (42 pages). For those who do, White's summation of nineteenth-century philosophical positions is dubious in the extreme. As the German critic, Patrick Bahners observed, virtually every point that White made at one place in his book is contradicted by a statement provided elsewhere (cited Paul 2011:7). At times, his assessments can only be regarded as willful distortion. Nietzsche, for example, was never an advocate for the "weak." His concern, instead, was with the "strong," declaring at various times that "men are not equal" (Nietzsche 1883/1970: 124), that the "working classes . . .are unintelligent," that mass of humanity represents "the lowest clay and loam layers of society" (Nietzsche 1874: 39–40), and that the advance of civilization has fatally weakened "the 'blond beast' that existed among Teutonic society prior to Christianity" (Nietzsche 1889/1990: 67).

If White's intellectual reputation rests on the introductory and concluding sections of *Metahistory* rather than the main body of the book, it is also fair to say that even these sections are – preface and conclusion aside – characterized by a convoluted literary style and complex arguments. In terms of substantive argument, White reiterated three main points. First and most importantly, White (1973b: 433) argued that by liberating humanity from the bonds of a historical past constructed around explanatory laws (i.e., economics, politics, religion, etc.), "we are free to conceive 'history' as we please, just as we are free to make of it what we will." In other words, both the historical past and the lived present can be what we imagine and will them to be. In pursuing this extreme voluntarist position, White (1973b: 1–2) advanced his second key argument: that the "character of historical representation" is inherently "fictive" and that it is *always* more a product of literary imagination than historical "fact." Upon this intellectual platform, White (1973b: 434) progressed to his third main proposition: that the historian should direct their efforts toward the liberation of the creative imagination," a process that necessarily entailed the historian's "own moral and aesthetic aspirations" – constructed around "a poetic and moral level of awareness" – taking precedence over other considerations.

While the propositions that White advanced in *Metahistory* represented a radical attack on established historical conventions, his ideas were nevertheless hardly original. As White's own book made clear, identical positions had previously been advocated by both Nietzsche and Croce. What was original about White's book was not so much his idealist and voluntarist understanding of history and its uses but rather the stylistic and literary suggestions that he put forward in order to achieve what Paul (2011) refers to as his "liberation historiography."

In making literary style rather than the collation of verifiable evidence the central task of the historian, White (1973b: x) identified "three kinds of strategy that can be used by historians to gain . . .'explanatory effect'.'" In staking out an "ideological" position, White (1973b: x) declared that historians inevitably ascribe to "the tactics" of either anarchism, conservatism, radicalism, or liberalism. "For arguments," White suggested, "there are modes of Formism, Organicism, Mechanism and Contextualism." Far more significant that these two "strategies," however, was the "archetype" in which narratives were "emploted." On this front, White (1973b: x) detected four modes of "emplotment," these being "Romance, Comedy, Tragedy, and Satire." In other words, in "emploting" their account, the historian needed to think of their story as if it was a Shakespearean play, rather than as a traditional factual narrative. Beyond these three strategies, White (1973b: x) claimed to detect something even more profound about the way history is written, advising the reader that he "had been forced to postulate a deep level of consciousness on which a historical thinker chooses conceptual strategies." Declaring that he was following "a tradition of interpretation . . .recently developed by Vico, [and unnamed] modern linguists, and literary theorists," White (1973b: x) opted to "call these types of prefiguration by the names of the four tropes of poetic language: Metaphor, Metonymy, Synecdoche, and Irony."

White's complex formulations inevitably raise two issues: one relating to attribution and the other to meaning. In terms of attribution, the preface of *Metahistory* is devoid of references. The conclusion to *Metahistory* is similarly unreferenced. Even the introduction and Chap. 1 of *Metahistory*, where White expands upon the literary concepts outlined in the preface, are lightly referenced. To the extent that he does provide references, White (1973b: 7–8) attributes his ideas on "emplotment" primarily to the Canadian literary critic, Northrop Frye. In later years, however, White indicated that his understandings of language and meaning were heavily influenced by the French linguist and philosopher, Roland Barthes (Domanska 2008). Certainly, it is hard to believe that White was unaware of the debate about language and power that transfixed French existentialist and postmodernist circles in the 1960s, given that his article on Foucault ("Foucault Decoded") was published prior to the publication of *Metahistory*. Indeed, as Miller (1993: 133) observes in his study of Foucault, by the late 1950s Barthes was "the oracle of the hour." Through his study, *Mythologies*, in particular, Barthes led the way in emphasizing the overlap between accepted knowledge and mythical understandings, themes that were central to White's arguments in *Metahistory*.

If the "genealogy" of the literary principles outlined in *Metahistory* are by no means clear, the understanding that erstwhile historians take away from a perusal of White's arguments is also unclear. If, for example, we turn to the work of highly accomplished academics who declared themselves followers of White – Frank Ankersmit, Keith Jenkins, Brian Fay, and Alun Munslow – there is little evidence that they paid much heed to White's ideas on historical narrative as "organicism," "synecdoche," and "satire." Instead, what critical or postmodernist historians have embraced in White's work is his more *general* epistemological principles: that "facts" are a literary artifact, that "history" is a "fictive" construct of the historian, and that history is only useful when it is part of a "liberation historiography." Certainly these are the themes that appear constantly in postmodernist histories. If we look to Ankersmit (1989: 144, 153, 145), for example, we read that "Style, not content, is the issue," that historical narratives need to bring about "ethical and aesthetic contemplation," and that "historical work" needs to be understood as "art." Similarly, in the writings of Munslow (2015: 136, 134, 135), we read that "Meanings are fictively constructed," that historical narratives "create" reality, and that "History is a substitution for the past." In a similar vein, Jenkins (2008: 67, 68, 70) informs us that "arguments are never true or false," that "history" is necessarily "rhetorical," and that through "countless readings" of the past the present can be "democratized." The lack of historical interest in White's ideas about literary "emplotment" is also suggested by White's own behavior in the years that followed the publication of *Metahistory*. Increasingly he turned his back on history as his ideas on literary emplotment found greater favor among literary theorists. As his onetime colleague, Richard Vann (1998: 148) recorded, "White became much less of a presence in historical circles, regularly preferring to attend Modern Language Association conventions rather than those of the American Historical Association."

For White, 1973 was notable not only for the publication of *Metahistory* but also of his article, "Foucault Decoded." In what remains one of the best assessments of Foucault's work, White readily identified the weaknesses in the French philosopher's work. Of Foucault's *History of Madness*, White (1973a: 38) accurately observed that it was "a rambling discourse," based upon "a very limited body of data." White (1973a: 31) also accurately summed up Foucault's relationship with causal explanations, noting that Foucault rejected "*all* causal explanations, of whatever sort" [emphasis in original]. Despite – or, because of – such problems, White (1973a: 26) also recognized in Foucault a kindred spirit, "an anti-historian historian," someone who wrote history "in order to destroy it." White (1973a: 50) also declared that "Foucault represents a continuation of a tradition of historical thought which originates in Romanticism and which was taken up . . . by Nietzsche in the last quarter of the nineteenth century." In associating Foucault with Nietzsche and romanticism, White was issuing his strongest possible endorsement, aligning his own assault on modernity with that of Foucault. At the same time, however, White took the opportunity to distinguish his own work *from* that of Foucault, spending several pages on discussions of Vico, "tropes," "synecdoche," and "metonymy," the meanings of which probably escaped the typical reader.

Intellectually, if not in terms of job progression, 1973 arguably represented White's career peak. In large part, White's subsequent publications represented merely a reiteration of points already made in "The Burden of History," *Metahistory*, and "Foucault Decoded." White's subsequent books – *Tropics of Discourse* (1978), *The Content of the Form* (1987), and *The Practical Past* (2014) – were also, as we have previously noted, essentially collections of short essays. In this White was undoubtedly playing to his own literary strengths, which belied his claims to poetic style and romantic beauty. For as his biographer, Herman Paul (2011: 7), notes, White's "favorite genre" was "not the monograph" – which suffered from reader "inaccessibility" – but the "essay" that lent itself to a "25-page outburst of creativity."

To the extent that White pursued new historical themes after 1973, it was typically in response to attacks on his work as White's understanding of "facts," "truth," and the "fictive" became mired in two major polemical debate.

The first and most significant of these controversies involved understandings of the Holocaust, a massacre of millions of innocents that belied White's (1973b: 1–2) belief in "the fictive character of historical reconstruction." In an article entitled "Is it Possible to Misrepresent the Holocaust" – initially published in *History and Theory* and republished in the edited collection, *History and Theory: Contemporary Readings*, before reappearing in an expanded book form as *Holocaust Representation: Art within the Limits of History* – Berel Lang (1995, 1998, 2000) made a devastating assault on the relativism of White's historical genre. Putting the matter bluntly, Lang (1995: 89) declared that the issue of the Holocaust allowed the historian little wriggle room: Did they accept its factual existence or not? Extending his assault to the wider issue as to whether or not "historical narratives . . . are unfettered by anything more than the historian's imagination," Lang (1995: 89) made the pertinent point that "Most people . . . would be reluctant to concede that whether they existed five minutes ago depends entirely on what historians . . . say about them." Even prior to Lang's attack, the issue of the Holocaust caused White professional grief as Carlo Ginzburg – a professor of Italian studies at the University of California, Los Angeles – used a conference on the Holocaust in 1990 to imply that White harbored proto-fascist ideas (Paul 2011: 121). In responding to the issues raised by the Holocaust, White's long-term colleague and supporter, Hans Kellner, chose to defend the indefensible. In Kellner's (1998: 237) belief, the Holocaust was simply a rhetorical term, "an imaginative creation, like all historical events." Yes, Kellner (1998: 237) conceded, various individuals were murdered at places like Babi Yar. But, "no one witnessed the Holocaust," which was instead "imaginatively constituted." For his part, White beat a somewhat confused retreat, attempting to defend his lifelong positions on the rhetorically constructed nature of the historical narrative while conceding a factual existence to the Holocaust, a position that long-term supporters such as Kellner (accurately) perceived as a failure of nerve. In devoting an entire chapter of *The Practical Past* (Chap. 2) to debates about the Holocaust, White (2014: 28–29) confronted the question as to whether the Holocaust was "true" by declaring, "this question . . . is of secondary importance to discourses making reference to the real world . . . cast in a mode other than that of simple declaration." From this muddled viewpoint, White (2014: 38) concluded that,

> My suggestion has been that we cannot establish on the basis of any strictly factual account whether the Holocaust was a new event, a new kind of event, or . . . an event peculiar to our modernity.

Understandably, this "solution" to the debate as to the factual truth of the Holocaust appealed to neither friend nor foe.

Whereas the controversy involving the Holocaust revolved around matters of fact, the second polemic that White found himself enmeshed in was a dispute over myth and its uses. In an article entitled "Hayden White, Traumatic Nationalism, and the Public Role of History," the Australian-based academic, Dirk Moses (2005: 312–313), acknowledged White "as a harbinger of postmodern literary theory, even its 'patron saint', while at the same time lambasting him for being blind as to the adverse impact of his ideas. As Moses (2005: 314) correctly surmised, "White thinks that national or ethnic mythologies are a legitimate use of the past insofar as they an answer to the burden of history." The problem, Moses noted, was that mythology was used by various ethnic groups to justify their historical standing vis-à-vis other religious or political communities. Pointing to recent experiences in Eastern Europe, Africa, and the Middle East, Moses (2005: 314–315) noted the "unspeakable atrocities" committed by "ethnic groups and nationalizing states in thrall to traumatic memories" and myths. White's response to this intellectual assault was in many ways even more unconvincing than that made in relation to the Holocaust controversy. In a reply to Moses published in *History and Theory*, White (2005a: 333) simply observed that "we have different notions about the nature of historical discourse and the uses to which historical knowledge can properly be put." Having made this all too obvious point, White (2005a: 333) then simply proceeded to restate his well-established belief that "history is a place of fantasy," unlike the past, which he dismissed as "the realm of the dead."

In many ways, Moses's denunciation of White's ideas on history and mythology was unwarranted, a case of a critical historian being more virtuous than the virtuous White. Hayden White can hardly be blamed for the savage civil wars that occurred in the Balkans and the Middle East during the opening years of the twenty-first century. It is, after all, highly unlikely that many members of the Kurdish *Peshmerga* or the Kosovo Liberation Front were inspired to take up arms by their reading of *Metahistory*. There is, nevertheless, more than a grain of truth in Moses's critique of White's work. As Lang (1995: 85) noted, there is little to be gained by those who take activist positions in historical discourse and metaphysical debates "burying their heads in the sand" when people take unfortunate conclusions from the messages that are conveyed. For, as White himself constantly emphasized, it is through understandings of history that cultures obtain their sense of identity. If these are based on myth, on "fantasy," rather than a sense of reality, it is more likely that adverse consequences will follow rather than any beneficial outcome.

Hayden White's Influence in Management History

Among historians, Hayden White remains a deeply divisive figure. The strength of these divisions is indicated in a tale recounted by Roy Suddaby, a former editor of *Academy of Management Review* and current program chair of the Management History Division (MHD) of the Academy of Management. During his time as *Academy of Management Review* editor, Suddaby remembers how he made the "naïve error" of favorably citing Hayden White before an American business historians' conference. "The crowd seethed" to such an extent, Suddaby (2016: 47) recalls, that he feared the use of "pitchforks." That so many people would be irate at mention of White's name points to the continued opposition to his ideas among "traditional" historians. Conversely, the fact that the editor of *Academy of Management Review* – arguably the most prestigious journal in management academia – would sing White's praises highlights the continuing influence of his ideas.

As someone who served as an executive member of the MHD between 2013 and 2018, and who has also had the privilege of being the editor in chief of the *Journal of Management History* since 2015, it is evident to me that White's influence within management history has never been higher than it is today.

The extraordinary reach of White's formulations is evidenced in the 2014 article by Rowlinson et al. (2014: 151, 157) in *Academy of Management Review* entitled "Research strategies for organizational history." This article not only begins by acknowledging White as "a leading philosopher of history," it also declares acceptance of his view "that there is a "literary" or "fictive" element in all historical . . . and scientific writing." In a subsequent article in *Academy of Management Review*, entitled "What is Organizational History? Toward a Creative Synthesis of History and Organization Studies," Godfrey et al. (2016: 599) echo similar themes, declaring "history" to be "a malleable substance that actors mould and shape to justify their actions." In his *History of History,* the influential British historian and founding coeditor of *Rethinking History*, Alun Munslow (2012: 8), also declared history to be "a *fictive* construction . . . *the construction of the historian*" [emphasis in the original]. In her review of recent debates in management and organizational history, the *amodernist* historian Gabrielle Durepos (2015: 153) ranks White alongside Foucault in terms of his importance in shaping "the modern versus postmodern debate by contributing to the development of postmodern historiography." In the inaugural editorial of *Management & Organizational History*, Charles Booth and Michael Rowlinson (2006: 10) also ranked White alongside Foucault in terms of the "philosophy of history and historical theorists" that they saw their newly established journal engaging with. White's concepts have also been seminal to the growing postmodernist displacement of the "scientific attitude" by the so-called "rhetorical attitude" or what Alvesson and Kärreman (2000: 144–145) refer to as "grounded fictionalism." Associated with the "linguistic" or "discursive" turn in the social sciences, the "Rhetorical Attitude" perceives all knowledge as essentially ideology, mere devices for both maintaining and challenging power (see, e.g., Suddaby and Greenwood 2005).

What explains the steady advance of postmodernist ideas, inspired in large part by Hayden White, within management history? In part, I suggest, this advance can be explained by the fact that the long-dominant traditions within management history – and within the MHD in particular – were always vulnerable targets. As I (▶ Chap. 1, "Management History in the Modern World: An Overview") indicate in the general introduction to this *Palgrave Handbook of Management History*, the MHD what I refer to as the George-Wren-Greenwood-Bedeian tradition; a school of thought that was positivist in orientation, supportive of free market capitalism in terms of ideology and dedicated to understanding the impact of changing patterns of management thought (George 1968/1972; Wren and Bedeian 1972/2017). Within this tradition, Dan Wren (University of Oklahoma) and Art Bedeian (Louisiana State University), were particularly influential. Concerned with sound scholarship and the rigorous training of their many students of management history, Wren and Bedeian – and their legion of graduates – paid much heed to intellectual history but little attention to abstract matters relating to ontology, epistemology and philosophy. Accordingly, when the postmodernist challenge arrived at the MHD's door, those located within the George-Wren-Greenwood-Bedeian tradition were ill-prepared for a defense. Some of Wren and Bedeian's former students defected, finding the "critical" abstractions of Foucault and White to their liking. Prominent among these defectors were Milorad Novicevic and Shawn Carraher, both former MHD chairs. In a co-authored study entitled "Decentering Wren's *Evolution of Management Thought*," both participated in a repudiation of the dominant George-Wren-Greenwood-Bedeian tradition, declaring that "our decentered examination of Wren's *Evolution of Management Thought* posits that this book should be viewed as a historical platform, rather than as a foundation of historical knowledge" (Novecivic et al. 2015: 27). Among those who steeped in the George-Wren-Greenwood-Bedeian tradition, only my fellow editor, Jeffrey Muldoon, has bothered to undertake the serious study of postmodernist ideas and principles that is a prerequisite for any counter-attack (see Muldoon 2019).

As with most postmodernists, White was wont to depict industrial capitalism and its associated systems of management as nothing but a catastrophe, a blight from which the typical citizen of the world gained nothing, could hope for nothing. In an interview in 2012, for example, White declared that:

> For me, the "history" of the world, or global history, is the story of the rise and expansion of an economic system which, in its very development, functions as a cancer on the human and earthly corpus which it purports to nourish by producing "wealth" out of "nothing." The exposure of this cancer is an ethical duty for any scholar. I would hope that historians would see their profession in this way. (Cited Sklokin 2012)

Like the reality of the Holocaust, White's comments on the achievements of capitalism and management cannot resolved through reference to one or more texts, a process that typically ends in a circle of claim and counterclaim. Rather, it is best considered by looking to evidence not intended as a "narrative discourse" of the past. As we discussed in previous chapters, a particularly useful source in this regard are the long-term records on European consumer prices and wages collated by the International Scientific Committee on Price History. Established in 1929, this committee created an extensive European database, recording the real wage of building workers, both skilled and unskilled, between the thirteenth and twentieth centuries (Cole and Crandall 1964). Of the studies that have emerged from this database, of particular utility is the so-called Phelps Brown and Hopkins (1956: 306) index, which traced the real wage of a skilled building worker from Southern England, measured against a basket of consumables. As is evident in Fig. 1 – which summarizes the results of this index for the period 1264 to 1930 (1447 representing 100 in the index) – it is evident that the only sustained improvement in living standards prior to the Industrial Revolution was associated with the Black Death, the bubonic plague outbreak of the fourteenth century that left survivors with a surfeit of arable land. With the managerial and technological revolutions of the eighteenth and nineteenth centuries, however, the living circumstances of the typical worker was fundamentally transformed for the better. Nor was it the case that these economic advances came, as White (1968b: 52, 55) suggested, at the expense of the individual, of freedom and free expression. Rather the reverse was true. Everywhere, the Western form of liberal, industrial capitalism was associated with increased literacy, democracy, the protection of children, and increased opportunities for society's female members. In short, whereas White (2005a: 333) associated the "liberation historiography" that he advocated with "history" as "a place of fantasy," a management historian can justly point to real achievements and a fundamental transformation in the human condition.

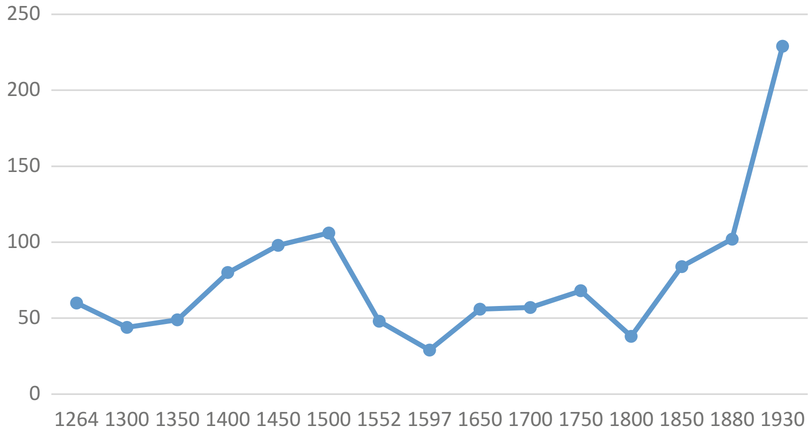

Fig. 1 Real wage of skilled building worker in Southern England, 1264–1930 (1447 = 100). (Source: Phelps Brown and Hopkins: "Seven centuries of . . . builders' wage rates," Appendix B)

Conclusion

Hayden White enjoyed a fortunate life. Hailing from a Detroit working-class family, White joined the navy too late to see combat service in World War II but early enough to qualify for a postwar veteran's scholarship to university. Inspired to study medieval history while at Detroit's Wayne State University, White's doctoral studies at the University of Michigan benefited from a Fulbright fellowship that funded a long period of study in Italy. Falling under the influence of Carlo Antoni – a disciple of the Italian idealist philosopher and onetime fascist supporter, Benedetto Croce – White became expert in ideas that appeared novel in an American context. Having adopted the esoteric philosophical principles of Croce, with their emphasis on individualism and extreme voluntarism, White's ideas found unexpected favor with a mass audience during the late 1960s and early 1970s, a time when a disgruntled but highly educated younger generation felt alienated from society's dominant ideologies and institutions. As such, White's career paralleled that of publicly better known French postmodernists such as Foucault and Derrida but was nevertheless distinct from them. Whereas Foucault, Derrida, and the other French postmodernists invariably looked to German philosophical idealism for inspiration, White came to his conclusions by a separate and independent route.

Like Foucault and, more particularly, Derrida, White made the interrelationship between language and knowledge the key to his unique brand of historiography, (in)famously declaring that there is always a "fictive character" to "historical reconstruction" (White 1973b: 1–2). For White, history was "a place of fantasy" and "historical representation . . . all story, no plot, no explanation, no ideological implication at all – that is to say, 'myth'" (White 2005a: 372–373). As such, historians do not "record" history. Rather they "do" history, creating a new, imaginary world. In doing so, White (1973b: xii) advised in *Metahistory*, a historian needed to give "aesthetic and moral" concerns a greater weight than matters relating to evidence. Drawing on Giambattista Vico and Roland Barthes, White (2005b: 147) also argued that greater meaning was to be had from narratives that inspired the imagination that in those that boasted a spurious claim to "objectivity." For, White (2005b: 147) continued, the "real" should be perceived as far more than "the true," embracing in addition "the possible or imaginable." Like Foucault and, more particularly, Derrida, White (1968b: 55) regarded not just industrial capitalism but the entire social structure of the West as a blight, condemning "social institutions, ideas, and values as barriers to be overcome, bastions against the free expression of nature and individual human will."

Like Foucault and Derrida, White's work was Eurocentric in nature. Yes, it is true, White (1973b: 2) condemned as "a specifically Western prejudice . . . the presumed superiority of modern, industrial society" vis-à-vis other societies. Nevertheless, White's intellectual framework is one that only has meaning within a Eurocentric culture. It not only draws on complex traditions of Western idealist thought, it also primarily speaks to a highly educated Western intelligentsia with its talk of the "fictive" and literary "emplotment" around metaphor and literary tropes such as metonymy and synecdoche. As Waldman (1981: 791) accurately noted, the "distinctions" that White made between "historical and fictional narrative" were also ones that drew "from essentially Eurocentric research." It is also the case that if White had of published *Metahistory* in 2020 rather than 1973 he would have received brickbats rather than bouquets, condemned for an excessive interest in the philosophies of 8 dead, white males.

Much lauded, White's historiography, and the genre of historical narrative that it inspired, suffers from three interrelated problems. First, as we noted in the previous section, White treated all evidence as if it were narrative, a textual discourse on the past. Across a publishing career of more than half a century, White never paid any great heed to those sources of evidence that are – or should be – the lifeblood of a management historian: production output, transportation records, tax accounts, census figures, labor participation, and employment data. White's second failing, related to the first, is found in his myopic understanding of history. For White, history revolved around the "event," the specific historical experience that is supposedly the product of individual acts of consciousness and will. Given the supposedly unique nature of every event, White's methodology rules out any understanding of history as a product of decades and even centuries of accretion, in which each generation builds upon – and is shaped – by the effort of those who came before. As White (2006: 29) expressed it late in his career, "the knowledge with which history provides us is so situation-specific as to be irrelevant to later times and places." This is a very different – and much narrower – view of history than that advocated by the French historian, Fernand Braudel (1946/1975: 21), who dismissed "the history of events" as "surface disturbances, crests of foam that the tides of history carry on their strong back." Like it or not, we are all products of our history, a past that both empowers and limits the goals and aspirations of our own time. Together, White's myopic understanding of history and evidence resulted in a third failing: he never evinced much appreciation of the material achievements of the society that allowed him such a fortunate life. Instead, White increasingly advocated a Marxist condemnation of capitalism even as the Marxist societies of Europe crumbled into ruin, declaring in 2012:

> I view history or rather the course of socio-political development in the West from Rome to the present from a Marxist perspective, and my criticism of the historical profession in modern times stems from my conviction that it is part of the Superstructure of a Base dominated by the Capitalist mode of production. (Cited Sklokin 2012)

Finding little to commend in his own society, White instead found favor in the circumstances of Chinese communism, observing: "In my recent visits to China I was much struck by the ways in which Chinese intellectuals, including historians and social scientists, were trying to combine Maoist with Confucianist principles for the creation of a socially and political responsible knowledge" (cited Sklokin 2012). Such praise for a totalitarian regime, where dissent continues to be brutally suppressed, did White no credit.

In short, if we look to the stated goals of Hayden White's work, we are struck by the gulf between goals and the means of achieving those goals. Constantly, White spoke of broadening the historical imagination while advocating a myopic view of the historical process. Across his long career, he constantly spoke of individual freedom and will while showing a strange reluctance to condemn the very real threats to freedom from totalitarian societies. Declaring himself an opponent of European ethnocentric, White's whole genre was itself deeply ethnocentric. None of these intellectual contradictions, however, denied him a fortunate life.

Cross-References

▶ Foundations: The Roots of Idealist and Romantic Opposition to Capitalism and Management
▶ Management History in the Modern World: An Overview
▶ Paul-Michel Foucault: Prophet and Paradox
▶ The Intellectual Origins of Postmodernism
▶ What Is Management?

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Part VII

Management in the Age of Prosperity (1940s to 1980)

Management in the Age of Prosperity, c. 1940–1990: Section Introduction

32

Kevin D. Tennent

Contents

Abstract

Welcome to this section of the handbook, which focuses on the history and development of management in an intellectual and practical sense between the 1940s and the 1980s. The introduction provides a brief overview of the themes of the period which the chapters in the section go on to explore in more detail.

Keywords

Planning · Managerialism · Keynesianism · Post-War World

Introduction

When Bradley Bowden, the overall editor of this handbook, approached me to edit this section, based on the management history of the 1940–1990 period, I jumped at the chance. Growing up in its aftermath, in the 1980s and 1990s, the contradictions and challenges the post-war period threw up for economies and societies around the world have long fascinated me. As a graduate student in the late 2000s as the global financial crisis of 2007–2008 played out, I had the opportunity to teach on a module focusing on Britain's economic and business history from 1945 to 2000. The

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complexity even of this story was both intriguing and gripping, and the phenomena within it set the subtext of many expectations, whether economic, social, political, legal, technological, environmental, or cultural that continues to play out in the twenty-first century. To meet these many opportunities, challenges, and contrasts, the discipline and practice of management also came of age in some ways, defining itself, and arguably perhaps even reaching the apogee of its powers. This section of the volume attempts to give a flavor of some of these opportunities, challenges, and contrasts. To some extent, it is centered on the experience of Western economies, particularly the USA and UK, and I accept that this is an inherent weakness, but these economies were in some ways dominant of the global discourse in this period, both positively and negatively, particularly in terms of the practice and ideology of management and this in itself makes them worthy of our study. I hope that you enjoy the chapters of this section and find them useful in your own work.

Planning and Managerialism

The era opened with the cataclysm that was World War II, fought globally between 1939 and 1945. Two regional conflicts in Europe and on the Pacific Rim essentially combined through the overlapping involvement of the lingering European empires, particularly the British, French and Dutch, together with the emerging global powers of the Soviet Union and the United States. As well as representing a triumph against the fascism of the Axis powers, Germany, Italy, and Japan, the war represented something of a re-arrangement of international geopolitics. The remaining European empires were fatally weakened through a complex process involving both the re-assertion of the rights of aboriginal peoples around the world and the subversion of their metropoles to the wider needs of the Cold War which would emerge between the United States and the Soviet Union. A new system of international relations and economic governance was put in place through the foundation of the United Nations and following the 1944 Bretton Woods conference, which aimed to establish a stable gold-based system for world currency, together with the introduction of the Global Agreement for Tariffs and Trade. The war had brought with it its own challenges of mass organization, creating a need to assess the suitability of potential leaders and train them, and Alice White's ▶ Chap. 38, "Organizational Psychology's Golden Age, 1940–1970" looks at the rise of organizational psychology, which emerged from the military in allied countries to become a major tool for management selection and training.

This new global system encouraged the emergence of what Jones (2009, p. 144) has described as the third era of globalization, with an increasing emphasis on cross border trade in intermediate products and horizontal FDI with the expansion of multinational enterprises across borders, in the capitalist world at least. This impetus created new opportunities for managers and the overarching ideology of managerialism based around the planning and coordination of economic activity by dispassionate administrators, people who were ideally separated from the ownership of capital. This will be the starting point for Kevin D. Tennent's

► Chap. 34, "The Age of Strategy: From Drucker and Design to Planning and Porter" on the development of the strategic management discipline. It is worth noting at this point, however, that this mid-twentieth century phenomenon was an inheritance from an earlier era, the Second Industrial Revolution, characterized by the emergence of scientific management (Taylor 1911) together with M-form structures (1962, 1977), and was then amplified in importance by thinkers such as Adolf Berle in the search for solutions to the Great Depression of the early 1930s. Berle and Means (1932) championed the concept of managerialism as an opportunity to allow the dispassionate redistribution of corporate profits; this idea was, to some extent, accepted in the mainstream of American corporate thinking until the 1970s (Smith et al. 2018, 2019) and further advocated by thinkers such as Peter Drucker in his many works (e.g., 1946, 1955, 1967, 1974), a selected few of which are considered by Tennent in his chapter. This organizational turn, based upon large-scale hierarchy and administrative bureaucracy, was not just confined to the United States, and critical conservative authors such as Burnham (1942) noted its similarity to the systems of political and economic coordination used in totalitarian fascist and communist states, and thus identified it as a potential threat to western democracy (McLaren 2011; Mollan 2019). These organizations, identified as the "modern industrial enterprise" by Alfred D. Chandler (1962), were easily conflated with the broader growth of government intervention in capitalist economies since the 1930s and which picked up in speed in the 1940s and 1950s, largely allied with demand-side stimulus economics inspired by the ideas of John Maynard Keynes (1936). Chandler's historical work, at first intended to "diagnose the present" more than the past, is the subject of ► Chap. 35, "Chandler and the Visible Hand of Management" by Kevin D. Tennent, while chapter "Keynesianism and it's Social and Political Influence" will investigate the hegemony of Keynesian thinking in the period.

The immediate aftermath of World War II, through to the early 1970s, was marked by a period of recovery then an age of untrammelled prosperity previously unknown, yet a series of new challenges and contradictions emerged. The industries of the Second Industrial Revolution reached their apogee in America and Europe, fuelled by the Cold War, rising consumerism and motorization, further encouraging the rise of the service sector. Wages reached record levels and living conditions improved dramatically, together with an expectation of full employment, while unionization reached new heights. Jim Philips' ► Chap. 36, "Industrial Relations in the "Golden Age" in the UK and the USA, 1945–1980" on industrial relations in the "golden age" investigates this phenomenon further. Medical breakthroughs such as antibiotics improved infant mortality dramatically, meaning that the post-war "baby boom" generation came to have a substantial economic, political, and cultural impact throughout their lives which is still playing out today, and which remains to be fully known as they enter old age. The economies of West Germany and Japan bounced back dramatically after the war, creating a sense of insecurity in English-speaking countries around the competitiveness of industry. Perhaps the impacts of these trends were most apparent in Britain, which saw continued economic growth and full employment based on service sector expansion in the London area at the same time as industrial decline in the North, Midlands, and Scotland, while seeing the loss of sterling as an exchange currency. John Quail will concentrate on attempts to introduce new management ideas into British industry in his ▶ Chap. 39, "British Management 1950–1980." Undoubtedly the age of high managerialism, coupled with large-scale political and economic planning, the 1950s and 1960s saw considerable prosperity and progress. Alongside the planning came consumerism and an increasing need to orient strategy toward the market, a phenomenon which Alex G. Gillett investigates in his ▶ Chap. 37, "The Rise of Marketing."

Conversely as the 1960s wore on and turned to the 1970s, there was considerable evidence that managerialism and the related discipline of rationalized strategic planning seemed to be failing both society and the economy, and was having a destructive impact on relations between the west and the rest of the world. One of the most high profile failures of strategic planning was the American escalation of the Vietnam War, led by Defense Secretary Robert McNamara, hired from Ford by President Kennedy to apply data-driven techniques (McCann 2017, p. 495). As the war continued and the Vietcong successfully engaged the American forces using guerrilla tactics, McNamara got caught up in a deadly feedback loop of planning for larger and larger direct applications of air and land forces. Meanwhile, in the economic sphere, the failure of the Penn Central Railroad in 1970 was blamed upon bureaucratic managerialism (Daughen and Binzen 1971). In the UK, the 1964–1970 Wilson government assumed the problem was that British industry was falling behind those of America, West Germany, and Japan due to a lack of scale, pumped money into the modernization of industry built new plants in declining industries, and forced companies to merge together, but ultimately failed to arrest the relative decline of the country's manufacturing sector (Owen 1999). Some of the trends investigated by Quail fall into this broader theme. This contrasted with the West German system of Ordoliberalism introduced after World War II in which the state had not interfered in the allocation of resources within industry, encouraging the relatively small firms of the *Mittelstand* to concentrate on consolidating technological advantage while introducing workplace co-determination in which workers were given seats on boards in 1952 (Bonefeld 2012; Kuntz 2018).

The Fall of Planning

The increasing confidence of postcolonial states who had acted to nationalize and expropriate western assets was to some extent exemplified by the 1973 oil crisis in which a group of Middle Eastern countries successfully exploited their position as oil exporters to send an inflationary shockwave through the western world. This unforeseen ripple destabilized economies though increasing inflation and unemployment such that Keynesianism was seen as unable to provide an effective response, and to a large extent hastened the turn away from planning that characterized the late 1970s and 1980s. Ironically, the crisis benefitted the Soviet Union, then expanding oil exploration, which was able to increase its lending to developing countries as the west was forced to retreat (Painter 2014). These shocks caused great impetus for change in management studies, with a Friedmanite (1962) view of the role of the corporation taking over, and encouraging management theory to narrow also, not just dropping planning, but with a confinement of the role of management to the economic sphere. The dogma of competition inspired by supply-side neoclassical economics replaced Keynesianism by the mid-1980s. This trend was perhaps best symbolized by the role of the work of Michael Porter (1979, 1980, 1985, 1990) who characterized corporate strategy as being oriented to the suppression of mobility barriers, but also a reduction in the role of labor unions, particularly in English-speaking counties. Once the Berlin Wall fell in 1989 and the Cold War ended, competition-based capitalism was assumed to have triumphed, despite the relative resurgence of China following reforms in 1979.

By the end of the period considered by this volume, a new form of stability had emerged. World War II remained important in social consciousness, but the sense of economic communalism and grand-scale corporatist planning for a progressive future it had engendered had evaporated as the need to rebuild had disappeared. The oil shocks themselves had reduced the faith of business in planning, together with a concern that management's time and effort was becoming tied up in unproductive processes. The state too tried to turn away from large-scale bureaucracy to an extent turning to the "New Public Management" in an attempt to run its organizations more efficiently (McLaughlin et al. 2002), partly placing an emphasis on relational working, a theme which Gillett's chapter addresses. The discipline was refocused, shorn of its societal role, but yet in this form found new relevance with the entry of the business or management school to the traditional university around the world. Managerialism, though more often at the time known as "administration" had been all powerful in the 1950s and 1960s, but had ultimately not succeeded in creating the progressive, enlightened society that its adherents from Berle to Drucker and Andrews had hoped for. This credo would be overtaken by a financialized form of management in which resources were allocated to production only to satisfy the needs of shareholders for a return, in both manufacturing and the newly risen service (and professional services) industries. The state and the allied force of industry in the form of professional managers were therefore easily portrayed as having failed in the post-war decades, ironically encouraging the rise of a new form of management more narrowly concerned with economic outputs. This "neoliberal view" would turn out to be perhaps more hegemonic in the 40 years following 1980 than managerialism and Keynesianism had been between 1940 and 1980. This was a fascinating period of contradiction and change indeed, both in management and the contested spaces of its activity, and I hope that the collection of chapters we present here goes some way toward satisfying the need for an explanation of its evolution and development.

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Keynesianism: Origins, Principles, and Keynes's Debate with Hayek

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Kaylee Boccalatte and Bradley Bowden

Contents

Abstract

The son of a Cambridge economist and a student of Alfred Marshall, Keynes was raised to believe in the benefits of market forces and competition. Yet, Keynes went on to become *the* great exponent of state intervention in the economy. In arguing in favor of state intervention, however, Keynes also contended that the profit-motive provided "social and psychological justification for significant inequalities of income and wealth." A paradoxical figure, Keynes lived a life of wealth and privilege while always showing concern for the social effects of capitalism. In exploring Keynes's ideas, we trace his intellectual development from his first public work *The Economic Consequences of the Peace* through to his seminal work *The General Theory of Employment Interest and Money*. In doing so, we also explore how Keynes's work stimulated a powerful anti-Keynesian tradition through the rebuttals penned by Friedrich August Hayek,

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an author who believed that government intervention always led to adverse long-term consequences by causing a misallocation of resources. As management historians, we suggest, a proper understanding of our craft can only be achieved if our ideas are grounded in an awareness of this debate.

Keywords

Keynes · Keynesian · Economics · Kahn · Hayek · Wealth creation · Investment · Employment

Introduction

Keynes changed the world. More specifically, his economic policies shaped the post-war global economy. By 1950, he was "the world's most celebrated economist" (Moss and Schumpeter 1996). Despite earning worldwide recognition and a place in history with the publication of his *The Economic Consequences of the Peace*, John Maynard Keynes achieved even greater fame with *The General Theory of Employment, Interest and Money* (Keynes 1919/2005, 1936/1964; Dimand 2019). With this book, Keynes believed that he would "largely revolutionise. . .the way the world thinks about economic problems" (Skousen 2007). Keynes was right. Having an acute understanding of the "economic theory of his time" Keynes was able to develop the "reasoned challenge to the reigning orthodoxy" of economics, a challenge embodied in *The General Theory* (Krugman 2018). Perhaps his exposure to sophisticated economics and the inner works of politics during his early years contributed to his "revolutionary" mind (Skousen 2007). An intellectual rebel, Keynes nevertheless grew up in privileged circles and was raised to "believe that free trade promoted peace" (Markwell and Oxford University Press 2006). His father was "an economics professor at Cambridge University" and a friend of Alfred Marshall – who would go on to be "described as a supreme" authority "among the economists of the English speaking world" (Davenport 1935/1965; Skousen 2007; ► Chap. 16, "Neo-classical Thought: Alfred Marshall and Utilitarianism" by K. Boccalatte). Keynes's mother bore an equally impressive figure as the "first woman mayor" of Cambridge (Skousen 2007). Despite receiving no "formal training" in economics (for his degree was in mathematics), Keynes, after only a "single course from Marshall," developed an acumen for the subject, "quickly" becoming proficient enough to begin teaching (Skousen 2007). Keynes's unique economic prowess would go on to flourish during some of the worst times in the history of the Western world. From the depths of destruction and devastation caused by World War I and its aftermath, Keynes became an economist – undeterred by the challenges of re-shaping an economy and purposed to better the lives of the people at their time of need. Keynes was not a socialist, for "he came to save capitalism, not to bury it" (Skousen 2007; Krugman 2018). He did, however, go on to become *the* great exponent of state intervention in the economy. This chapter examines Keynesianism and its social and political influence.

Keynes's early frustrations with economic management arose during the peace negotiations following World War I. During the war, Keynes was part of the "British Treasury" and later appointed as their "official representative" at the "Paris Peace Conference" where the *Treaty of Versailles* – the "Treaty of Peace with Germany" – would be negotiated (Keynes 1919/2005, 1936/2017; Treaty of Peace with Germany (Treaty of Versailles) 1919). Much to the disappointment of Keynes, the economic implications of negotiations were overlooked. The Paris Peace conference had centered its objectives on punishing those perceived by the war's victors as responsible for war rather than establishing a workable "peace" (Sharp 2010). Little attention was paid to economic stability. Rather, attention focused on detailing what Keynes deemed, a Carthaginian Peace. When it became clear that "hope could no longer be entertained of substantial modification" to the harsh terms of the treaty, Keynes "resigned" from his delegate position and made public his case against the treaty (Keynes 1919/2005). By this stage, Keynes was already an experienced economist. He saw that the development of the *Treaty of Versailles*, a "deliberately cruel settlement," as one constructed by the self-interest of a few that would have a steep cost to many (Sharp 2010). The strength of *The Economic Consequences of the Peace* is found in Keynes's ability to critically evaluate the conditions of Europe both before and after World War I in ways that highlight the interconnected nature of the European and global economy. Significantly, Keynes not only identified failings in the adopted terms of peace but also provided logical economic remedies to the issues being faced by Europe during this time. In order to understand Keynesianism and its social and political influence, therefore, it is necessary that we commence our analysis with the book that initially earned Keynes "a place in. . .history" (Dimand 2019). Accordingly, the first section of this chapter involves a discussion of Keynes's critique of the Versailles Treaty.

While Keynes's reputation as a "famous" economist had his roots in war, his ideas developed during the ensuing peace (Janes 2014). Returning to Cambridge following the war, Keynes met Richard Kahn. Kahn would go on to play a significant role not only in the development of Keynes's economic thought but in his life. After meeting Keynes, Kahn wrote his fellowship dissertation titled, *The Economics of the Short Period* (Aslanbeigui and Oakes 2011). The contents of this dissertation made "a remarkable contribution to the then-emerging theory of imperfect competition" and went on to influence "Keynes in his development of the appropriate framework for the economics of underemployment equilibrium" (Harcourt 1992/2003). While Kahn's dissertation was not published at the time, his next piece of work, an article entitled *The Relation of Home Investment to Unemployment*, was published only 1 year later (Aslanbeigui and Oakes 2011). Within this article, Kahn conceptualized the principle of the "multiplier," a theory later adopted and propounded by Keynes, allowing investors to "shape investment behaviour. . .the economy. . .and impact the lives of everyone in society" (Wolff and Resnick 2012). Kahn's contribution to economic development was, therefore, highly significant. Geoffrey Harcourt stated that had Kahn's dissertation "been published closer to the time when it was first written, it and his 1931 multiplier article together would surely have meant the subsequent receipt of the Nobel Prize" (Kent 2007; Harcourt 1994). Despite not receiving a Nobel Prize, Kahn's contribution to economics did not go unnoticed. In 1946 Kahn was appointed as a Commander "of the Civil Division of the Most Excellent Order" of the British Empire (Supplement. 37598: Central Chancery of the Orders of Knighthood 1946). And in 1965, he was presented with the prestigious title of "Barony of the United Kingdom" for life, thereby causing him to be known as "Baron Kahn" (Issue. 43708: Crown Office Corrigendum 1965). While the degree of Kahn's influence on Keynes is much debated, it is "fair to say that, without the crucial influence of Kahn, Keynes would not have reached. . .the particular insights that he did" (Harcourt 1994).

If the extent of Keynes's debt to Kahn is unclear, what is nevertheless obvious is the profound revolution in economic thought that Keynes initiated (Dimand et al. 2010). He not only developed a new theory – *The General Theory* – but also successfully exposed the "fallacy of composition" of traditional economics (Krugman 2018). Within his book, *The General Theory of Employment Interest and Money*, Keynes explores the economic foundations upon which society is built. In doing so, Keynes not only sought to understand the relationships between key factors of the economy but ultimately to "discover what determines the volume of employment" (Keynes 1936/2017). By the early 1930s such concerns were more than academic interest as the global economic slipped into a deep recession amid closing businesses and soaring unemployment. While there existed proposals for "long-run" solutions, as Keynes famously observed, "*In the long run* we are all dead" (Keynes 1929). Keynes took a novel approach to remedy this situation. Rather than investigating how and why the economy was depressed, Keynes looked to answer a critical question: "given that overall demand is depressed – never mind why – how can we create more employment?" (Krugman 2018).

The substance of Keynes's work was at a time embroiled in the "most famous" debate "in the history of contemporary economic thought" as Keynes exchanged intellectual blows with the Austro-English economist, Friedrich August Hayek (Bas 2011). Hayek's debate with Keynes confronts us with an alternate view on the consequences of interfering with the economy. An exponent for a measured external intervention in managing (i.e., stabilizing) the economy, Keynes's concepts presented within *The Treatise of Money* were challenged by Hayek in a series of published articles. Hayek was a supporter of "laissez-fair" economics (Facchini 2016), believing that interventionist tactics upset the natural state of the economy. Hayek argued, for example, that artificially improving the supply of money through lowering interest rates would have negative long-term economic consequences (Ebenstein 2003). Central to these adverse consequences, in Hayek's estimation, was an imbalance in the economy. For stimulating demand in the short term, Hayek believed that government intervention redirects capital away from long-term market needs and in consequence discourages "real investment" (Ebenstein 2003). Hayek published two lengthy articles, namely: *Reflections on the Pure Theory of Money of Mr. J. M. Keynes* and *Reflections on the Pure Theory of Money of Mr. J. M. Keynes (continued)* (along with one *Erratum* by the same name) criticizing elements of Keynes book (Hayek 1931a, b, 1932). Within his sole reply titled, *The Pure Theory of Money. A Reply to Dr. Hayek*, Keynes asserted that Hayek had misinterpreted his work, and even where Hayek's critique was correct, the matters he identified were inconsequential in terms of his overall conclusions (Keynes 1931). It can be thus surmised that the debate with Hayek contributed in part to the development and articulation of the ideas found within Keynes's later work in *The General Theory.*

Keynes's work revolutionized economic management. Living at a time that bore witness to some of the most volatile economic events experienced by the Western world (i.e., World War I, the Great Depression, and World War II), Keynes was determined to do what he could to make the world better for the people of this time, namely: improving the economy in the short term. Examining Keynes's contribution to management history is the core purpose of this chapter. In doing so, it is not possible to review all facets of his work. Instead, every effort will be made to do justice to those elements of his work which pertain to the central theme of this chapter. We will, therefore, commence this chapter with an examination of Keynes's first famed book *The Economic Consequences of the Peace* and trace the development of his models and concepts through to the publication of his seminal work *The General Theory of Employment, Interest and Money.*

The Economic Consequences of the Peace: Diplomat and Economic Critic

World War I shattered the global economy that had emerged during the nineteenth century (see ▶ Chap. 12, "Transformation: The First Global Economy, 1750–1914," for discussion of this economy). As Keynes expressed it, Germany "and her allies . . . imposed war" upon "the Allied and Associated Governments," and as a result "overturned the foundations on which" society "lived and built" (Keynes 1919/2005; Treaty of Peace with Germany (Treaty of Versailles) 1919). While an Armistice brought the war to an end in November 1918, the fight for peace was far from over (Henig 1995). Georges Clemenceau famously stated at the time, "we have won the war: now we need to win the peace, and it may be more difficult" (Henig 1995). In the wake of war, "the leaders of thirty-two countries" ("representing between them some three-quarters of the world's population") were responsible for negotiating the terms of peace, terms which would establish order, "make the world safe for democracy," and most importantly, "ensure that 1914–1918" was the "war to end all wars" (Sharp 2010). Five (original) Peace Treaties were signed for this purpose (Sharp 2010). Ending the war between Germany and the Allied and Associated Powers was the "Treaty of Peace with Germany" or the *Treaty of Versailles* (Keynes 1919/2005; Treaty of Peace with Germany (Treaty of Versailles) 1919).

Keynes predicted that the "terms of peace" contained within the *Treaty of Versailles* would have dire political and economic consequences for Europe (Keynes 1936/2017, 1919/2005; Sharp 2010). As the "British delegation's Treasury representative at the Paris Peace Conference," Keynes attended many conference sessions where the *Treaty of Versailles* was "negotiated" (Keynes 1936/2017; Janes 2014). He was displeased with their outcome. Germany was held responsible for imposing "war" and thus for the resultant "loss and damage" incurred by all those they subjected to war (Treaty of Peace with Germany (Treaty of Versailles) 1919). As such, it was believed that Germany should pay. Keynes was dissatisfied with the resulting "vindictive and unworkable settlement" (Sharp 2010). Aiming to overcome these issues diplomatically, Keynes expressed his concerns to "Foreign Secretary Sir Austen Chamberlain" writing, "We have presented a Draft treaty to the Germans which contains in it much that is unjust and much more that is inexpedient" (Graebner and Bennett 2011; Harrod 1982). Keynes was not alone in this belief. James Headlam-Morley, the British Political Intelligence Department's "effective leader," was quoted as saying on the eve of signing that, "I have not found one single person here who approves of" the treaty "as a whole." Headlam-Morley went on to say, the treaty is "quite indefensible and in fact is, I think, quite unworkable" (Sharp 2010; Graebner and Bennett 2011). Despite the growing "doubts and warnings" as to the long-term viability of the treaty permeating "the entire conference," no immediate revisions were made (Graebner and Bennett 2011).

Dissatisfied with the direction and likely "longevity" of the treaty, Keynes "resigned from the British delegation" in June of 1919 and took "his case against the Treaty from closed meeting rooms to the reading public" (Keynes 1936/2017; Sharp 2010; Keynes and Hutchison 1973). Keynes publicly objected to the "Allied leaders'" proposed "terms of peace" within his publication of *The Economic Consequences of the Peace* (Keynes 1936/2017, 1919/2005; Sharp 2010). It was with this book that Keynes found himself transformed from diplomat to economic critic. Publication of *The Economic Consequences of the Peace* also commenced Keynes's "public life," which saw him go on to become one of the "most important economic" thinkers of the "twentieth century" (Keynes 1936/2017). Contrasting post-war economic circumstances with the comparative prosperity that existed on the eve of hostilities, Keynes's study paints post-1918 Europe as a land of stark inequality. On the one hand, the people of England appeared "a great deal richer than" they were before the war. They were looking not only to replace what had been taken by the war but to "broaden and intensify" their lifestyle "comforts" (Keynes 1919/2005). Of England Keynes comments: "All classes alike. . .build their plans, the rich to spend more and save less, the poor to spend more and work less" (Keynes 1919/2005). On the other hand, the citizens of "continental Europe" were struggling to survive (Keynes 1919/2005). Central and Eastern Europe alike were destitute. Their citizens – "allied and enemy alike" – Keynes states, were engaged in a battle of "life and death, of starvation and existence"(Keynes 1919/2005, 1936/2017). Before the war, by contrast, the continent of Europe had prospered in apparent unity. Benefiting from advancing technologies in industry, transport, and communication, "the greater part of" European society was "reasonably contented" with its "standard of comfort" (Keynes 1919/2005). Of this pre-war European era, Keynes painted a picture of what was outwardly a veritable "economic Utopia" in which, for some, the world was their "oyster" (Keynes 1919/2005). Providing an example of this prosperity, Keynes states that an "inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep" (Keynes 1919/2005). Significantly, Keynes says, this same Londoner, considered "this state of affairs as normal, certain and permanent, except in the direction of further improvement" (Keynes 1919/2005). On the surface, Europe prospered. Under the surface of Europe's pre-war economy, however, was an unstable, untenable, and "unnatural reality" (Keynes 1936/2017). Four specific "economic peculiarities" contributed to this instability. According to Keynes, these included: "the instability of an excessive population dependent for its livelihood on a complicated and artificial organization, the psychological instability of the laboring and capitalist classes, and the instability of Europe's claim, coupled with the completeness of her dependence, on the food supplies of the New World" (Keynes 1919/2005). Running on an increasingly precarious foundation, the subsequent war shook the European economy to the core. With war, the "extraordinary" age of "economic progress" had come to an abrupt halt (Keynes 1919/2005). Life for the Europeans had changed, a "great part of the Continent" was now "sick and dying" (Keynes 1919/2005). After the war, hope for a better future, a future with "justice" satisfied and "life" re-established, hinged on the outcome of the Paris Peace Conference (Keynes 1919/2005).

The conference and the *Treaty of Versailles* were central to Keynes's critique. Four political leaders – David Lloyd George (Prime Minister of the United Kingdom), Georges Clemenceau (President of France), Thomas Woodrow Wilson (President of the United States of America) and to a lesser extent, Vittorio Emanuele Orlando (Prime Minister of Italy) – dominated negotiations for the *Treaty of Versailles* (Dimand 2019; Janes 2014). Each member of this "Council of Four," Keynes says, brought to the negotiations different characteristics and different agendas (MacMillan 2001; Keynes 1919/2005). Clemenceau, described as by "far the most eminent member of the Council," sought "to weaken and destroy Germany in every possible way" (Keynes 1919/2005). Preoccupied with "French interests" and an associated intention of subjecting Germany to a "Carthaginian Peace," Clemenceau paid little attention to the ways in which the stifling Germany's "commercial activity" would have a negative effect on Europe's economy (Keynes 1919/2005). Lloyd George was more cautious and perceptive by nature (Keynes 1919/2005). Outlining his approach to treaty terms, he stated: "I do not want . . . to pursue any policy of vengeance, but we have got so to act that men in future who feel tempted to follow the example of the rulers who plunged the world into this war will know what is waiting for them at the end of it" (Sharp 2010). Lloyd George doubted Germany had the capacity to pay the "astronomical" cost of war. However, he succumbed to public demands for precisely this, winning the 1918 British election by effectively pledging to "extract the full cost of the war from Germany" (Dimand 2019; Keynes 1919/2005; Sharp 2010). Although Keynes considered Orlando a "minor player," Italian interests were often aligned with those of France. Thus, where treaty rights contrasted the interests of "French and Italian Industry" against "German industry," the united "French and Italian case" possessed "great force" in negotiations (Keynes 1919/2005, 1936/2017). Wilson, on the other hand, was a "major player" but lacked the political prowess necessary to influence the other members of the council (Keynes 1919/2005, 1936/2017). In describing Wilson, Keynes stated, he is someone who "would do nothing that was not honourable. . .nothing that was not just and right" (Keynes 1919/2005). In elaborating on this description, however, Keynes declared that the “President was not a hero or a prophet.” Instead, he was “but a generously intentioned man… lacking that dominating intellectual equipment … necessary to cope with the subtle and dangerous spellbinders … in the swift game of give and take, face to face in Council – a game of which he had no experience at all” (Keynes 1919/2005). It was with this combination of men and their ability to develop a suitable treaty with Germany that the hopes of Europe’s future rested.

The *Treaty of Versailles* would outline the reparations demanded of Germany for their role in initiating hostilities (Dimand 2019). Left seething by the terms of what they deemed “the Peace of shame,” the German’s did not have the capacity to pay the reparations demanded of them, reparations that were moreover outside the scope of the terms of the initial truce (Dimand 2019; Kershaw 2009; MacMillan 2001). For in requesting an armistice, Germany did so on the basis of “the Fourteen Points” outlined by United States President, Thomas Woodrow Wilson, during his “speech before Congress” in February 1918 (MacMillan 2001; Keynes 1936/2017, 1919/2005). Significantly, however, the major European victors (i.e., France, Britain, and Italy) were never prepared to accept Wilson’s fourteen terms “without modification” (MacMillan 2001). For, Wilson’s fourteen points provided reparation only for “invaded territory” and failed to account for the lives lost and damage done at sea and by air (Keynes 1919/2005). The cost of war had certainly been high. Soldiers’ blood was spilled in battle, civilian lives were lost, and economies deteriorated. Accordingly, for the “victorious” Europeans, it was felt that Germany must pay for “*all*... damage” (Keynes 1919/2005). In summing up the conflicting agendas, Keynes stated that “Two rival schemes for the future polity of the world took the field – the Fourteen Points of the President, and the Carthaginian Peace of M. Clemenceau.” Mutually opposed, Keynes went on to note that in the final analysis, “only one of these [plans] was entitled to take the field” (Keynes 1919/2005).

Keynes likened the *Treaty of Versailles* to the Carthaginian Peace: a peace which saw the “harsh…terms” imposed by Rome with the intent of disabling its ancient enemy, Carthage, to such a degree that there was no “possibility” of the city “recovering power” (Dimand 2019). Within the *Treaty of Versailles*, the Allies were seeking “compensation” from Germany for “all damage done to the civilian population of the Allies and to their property by the aggression of Germany by land, by sea, and from the air” (Keynes 1919/2005). Using a “strict interpretation” of these terms, Keynes calculated what damages could “be claimed from the enemy” (Keynes 1919/2005). France, according to Keynes, would have “the greatest claim” (Keynes 1919/2005). For losses incurred, to “*physical and material* damage” ($2.5b) and for losses at sea ($1.5b), Keynes calculated France was owed a figure amounting to approximately four billion dollars ($4b) (Keynes 1919/2005). Adding this figure to the cost of damages incurred by Great Britain, Belgium, and “Other Allies,” Keynes surmised that the amount owing by Germany to her enemies, for damages incurred in war, totaled $10.6b. He believed that had the Allies requested the sum of $10b from the “German Government at the Peace Negotiations … an immediate and certain solution” would have been achieved – a fair and *realistic* solution (Keynes 1919/2005). However, practicability was not a cornerstone of

Peace negotiations. Providing an example of the exorbitant amounts demanded of Germany, Keynes says the "French Minister for Finance" (M. Klotz) estimated his country's total "claims for damage to property" to be $26.8b. Klotz's figure, "more than six times" of Keynes's "estimate" could "never have been justified" (Keynes 1919/2005). In total, Keynes estimated that the *Treaty of Versailles* demanded of Germany approximately $40b in reparations (Keynes 1919/2005). This figure was more than 80 times greater than her annual "trade balance" adjusted for "the rise in pre-war prices" ($500,000,000) (Keynes 1919/2005). As such, the figure indebted Germany to reparation payments in excess of 30 years (the initial timeframe examined for reparation payments at the conference) (Dimand 2019). Keynes concludes his discussion on reparations by stating:

> The policy of reducing Germany to servitude for a generation, of degrading the lives of millions of human beings, and of depriving a whole nation of happiness should be abhorrent and detestable, – abhorrent and detestable, even if it were possible, even if it enriched ourselves, even if it did not sow the decay of the whole civilized life of Europe. Some preach it in the name of Justice. In the great events of man's history, in the unwinding of the complex fates of nations Justice is not so simple. And if it were, nations are not authorized, by religion or by natural morals, to visit on the children of their enemies the misdoings of parents or of rulers. (Keynes 1919/2005)

Keynes's main "purpose" in his book *The Economic Consequences of the Peace* was to "show that the Carthaginian Peace is not *practically* right or possible," nor was it a means to securing enduring peace (Keynes 1919/2005). The consequences of this treaty were nevertheless felt throughout Europe.

Europe immediately after the Treaty was in large part a place of misery. Economically stunted by the loss of domestic and international trade, a depression so severe as to mean "actual starvation for some" was feared to be on the horizon (Keynes 1919/2005). The "Council of Four" had paid "no attention" to the "economic rehabilitation of Europe" (Keynes 1919/2005). Three key facets of the European economy were perceived by Keynes as failing: "internal productivity," the ability to "transport and exchange" what was produced, and an "inability" to import the resources necessary for domestic production (Keynes 1919/2005). Moreover, domestic production was unable to feed and maintain the population. According to Mr. Hoover, "the population of Europe" was "at least [100 million] greater than" could "be supported without imports" (Keynes 1919/2005). Governments needed to intervene. However, in an unfortunate effort to "secure the resources. . .required" for domestic use, the European governments – "unable, or too timid or too short-sighted" to increase taxes or acquire loans – "printed notes for the balance" (Keynes 1919/2005). That is, they printed money in order to purchase necessary goods. Keynes aptly demonstrates that "this process" causes inflation and reduces the value of that country's currency. In severe cases (as had occurred in "Russia and Austria-Hungary"), the value of currency is rendered, "for the purposes of foreign trade. . .practically valueless" (Keynes 1919/2005). In these situations, without some form of "regulation," "essential commodities soon attain a level of price out of reach of all but the rich" (Keynes 1919/2005). For, as Keynes stated, "The price of imported commodities, when converted at the current rate of exchange" is far higher than the "local price" (Keynes 1919/2005). This means that "many essential goods will not be imported at all by private agency, and must be purchased by the government" and sold to citizens "below cost price" (Keynes 1919/2005). While this practice fends off society's starvation, it pushes a government towards "insolvency" (Keynes 1919/2005). Despite the country's currency retaining "a measure of purchasing power over some commodities" in domestic markets, inflation detrimentally affects the currencies ability to accurately represent the real value of any given commodity (Keynes 1919/2005). Keynes provides an example of the impact:

> If a man is compelled to exchange the fruits of his labors for paper which, as experience soon teaches him, he cannot use to purchase what he requires at a price comparable to that which he has received for his own products, he will keep his produce for himself, dispose of it to his friends and neighbors as a favor, or relax his efforts in producing it. A system of compelling the exchange of commodities at what is not their real relative value not only relaxes production, but leads finally to the waste and inefficiency of barter. (Keynes 1919/2005)

Inflation, Keynes says, is "not merely a product of the war, of which peace begins the cure. It is a continuing phenomenon" (Keynes 1919/2005).

Peace had failed to restore what war had destroyed. Keynes had remedies; proposals that he believed would create economic policies for the promotion and "re-establishment of prosperity and order" in Europe (Keynes 1919/2005). Past decisions such as those made by the Council of Four at the Paris Peace Conference could not be changed. The direction Europe took into the future, however, could be. Keynes outlined a plan for remedying Europe through four divisible yet interconnected areas, namely: "The revision of the treaty," "The settlement of inter-Ally indebtedness," "An international loan and the reform of the currency," and finally, reviewing the "the relations of Central Europe to Russia" (Keynes 1919/2005). Central to Keynes's proposed revision of the treaty was the modification of the reparations demanded of Germany, a revision that would see the cost of claims limited to a much reduced $10 billion and a feasible means – one proposed by Keynes – of extracting this payment over a 30-year period (Keynes 1919/2005). Inter-ally loans also required revision. War left many Allies (e.g., United Kingdom, France, Italy, Russia) with "a network of heavy" debts; debts that imposed significant economic strain upon countries financially struggling in the wake of war (Keynes 1919/2005). In proposing widespread changes to free these countries from the chains of this liability, Keynes stated:

> The war has ended with every one owing every one else immense sums of money. Germany owes a large sum to the Allies; the Allies owe a large sum to Great Britain; and Great Britain owes a large sum to the United States. The holders of war loans in every country are owed a large sum by the State; and the State in its turn is owed a large sum by these and other taxpayers. The whole position is in the highest degree artificial, misleading, and vexatious. We shall never be able to move again, unless we can free our limbs from these paper shackles. (Keynes 1919/2005)

Fiscal changes, however, formed only part of Keynes' plan. Many factors of European life required inter-country connectedness (i.e., transport, trade), and

Keynes believed that supporting Germany to "take up again her place in Europe as a creator and organizer of wealth for her Eastern and Southern neighbours" would benefit the European economy (Keynes 1919/2005). Recognizing that "many persons" would oppose these proposals, Keynes reminded his readers that when opposing a "German or Russian economic recovery" because of a "national. . .hatred for the populations or their Governments," society must be "prepared to face the consequences" of such actions. For, "Even if there is no moral solidarity between the races. . .of Europe, there is an economic solidarity which we cannot disregard" (Keynes 1919/2005). Accordingly, Keynes believed that the European public could build a stronger economic future for their country "by setting in motion those forces of instruction and imagination which change *opinion*" (Keynes 1919/2005). It was "to the formation of the general opinion of the future" that his book *The Economic Consequences of the Peace* was dedicated (Keynes 1919/2005).

Richard Kahn and the Origins of Keynesianism

After the war, Keynes returned to lecture at Cambridge. It was during this time that Keynes acumen for "making money" and "managing it" developed into an interest in monetary theory (Keynes 1936/2017). It was also during this time that he met Richard Kahn. Under the tutelage of Keynes, Kahn (influenced by "Marshall's *Principles*") began writing his Fellowship Dissertation on *The Economics of the Short Period* (Harcourt 1994; Kahn 1984). It was this topic choice that inadvertently stimulated the "radical restructuring of the shape of Keynes" work (Kahn 1984). Conceiving links between various factors of the economy (e.g., wages rates and prices or interest and employment), Kahn's dissertation not only displayed "considerable originality" but also developed concepts that would be utilized by others (including Keynes) in the study of economics (Aslanbeigui and Oakes 2011). Many of the concepts identified by Kahn were also "central concerns in the development of Keynesian theory" as evident in Keynes "short-period theory," *The General Theory* (O'Shaughnessy 1994; Kahn 1989).

If Kahn's fellowship dissertation had an enduring impact on Keynes's thinking, it was however not until the publication of Kahn's "multiplier" article in 1931 that a marked shift became evident in Keynes's public work (Kahn 1984). Published in the *Economic Journal* in June 1931, Kahn's article, entitled *The Relation of Home Investment to Unemployment*, not only introduced "the multiplier" into economic theory, it also "opened up" a realm of "possibilities" for which the "new technique" could be used (Wright 1956; Kahn 1984).

Kahn's "multiplier theory" is founded on the "fact that a net increase in the demand for any commodity, provided it is not offset by a decline in the demand for any other commodity, sets in motion a process of expansion which is eventually transmitted throughout the entire economic system" (Wright 1956). Taken independently, this definition is similar to Malthus or Lauderdale's "formulations of this type of theory of effective demand" which, according to Professor Paglin, "were on the right track, but. . .lacked precision" (Wright 1956; Spiegel 1971/1991).

Distinguishing Kahn's "multiplier theory" was its ability to demonstrate "*quantitatively* the related changes in income and (investment) demand" (Wright 1956). Despite Kahn never using the term "multiplier" within the article – instead employing the name "ratio" – by 1933 the term "multiplier" as a means to describe Kahn's theory had been "adopted in professional circles" (Wright 1956). Keynes applied the term (i.e., multiplier) within his work soon thereafter, first in his publication *The Means to Prosperity* and then again within a follow-up article, aptly named "The Multiplier" (Wright 1956).

It is evident that Richard Kahn played a marked role in Keynes's life. This is undisputed. What is debated in economic circles is "the nature of Kahn's contribution to Keynes's thinking" and the degree to which Kahn influenced Keynes' ideas (Marcuzzo 2002; Samuelson 1994).

Kahn was an understated economist. Combining "empirical investigation and theoretical innovation," Kahn's *The Economics of the Short Period* made a "substantial" contribution to economic theory, at the time of writing (i.e., 1930) (Aslanbeigui and Oakes 2011; Kahn 1989; O'Shaughnessy 1994). Inspiring Kahn's work was Marshall's "concept of the 'short period'" (Kahn 1989). However, while Marshall introduced "the element of Time as a factor in economic analysis," he did not explore its significance in-depth (Kahn 1989; Aslanbeigui and Oakes 2011). In economics, moreover, time is inherently difficult to measure when "there is no hard and sharp line of divisions between "long" and "short" periods" (Kahn 1989). Markets fluctuate. There are periods of "fairly continual expansions" and periods of "sub-normal activity" (Kahn 1989). Typically, periods of "sub-normal activity" do "not deviate from the long-period norm" (Kahn 1989). However, it is when these periods of "sub-normal activity" (e.g., decreased trade) extend persistently beyond "a year or two" and industries "approach a static state, as opposed to a state of progress," that the importance of action in the "short period" becomes readily apparent (Kahn 1989). The purpose of Kahn's dissertation was to "trace the factors that combine to determine the price and output of the product of an industry in such a short period" (Kahn 1989). Before Kahn, Marshall, like "other economists," "devoted. . .little space to the short period," treating "short-period effects, for the most part, as mere modifications of long-period tendencies" (Kahn 1989). Kahn, however, recognized that "the short period is not the same at both ends – and never has been" (Kahn 1989; O'Shaughnessy 1994). According to O'Shaughnessy, Kahn's "development of Marshall's concept of the short period" gave Keynes an important tool which was used to great effect in *The General Theory* (O'Shaughnessy 1994). He states:

> Rejecting Marshall's emphasis on a relatively quick adjustment to a position of long-period equilibrium, Kahn stressed the empirical relevance of the concept of short-period equilibrium, especially when the required adjustment was in a downwards direction. Since, in the short period, the quantity of labour required to produce a given output is mainly determined by technical considerations, there is no question of factor substitution. (O'Shaughnessy 1994)

According to Pigou, Kahn's dissertation, written post-World War I, had accomplished something "much harder than answering questions," for Kahn had "found the right questions to ask" (Aslanbeigui and Oakes 2011). There is thus little doubt that Keynes' prominent work, *The General Theory*, was influenced by the work of his former student, Kahn.

Both Kahn and Keynes had an interest in Britain's post-war economy. Specifically, the issue of unemployment. For post-war Britain was riddled with "workers, able and eager to work" but "denied the opportunity" to do so (Party 1929). Each political party vying for electoral success had a "solution" (Party 1929). Of the competing agendas, one proved more important for the development of Kahn's ideas than any others, namely the assertion by Lloyd George during his 1929 election campaign that the Liberal Party could reduce unemployment by funding public works (e.g., building "road and bridges") without increasing "national or local taxation" (Kahn 1931, 1984; Party 1929). The ability to finance such proposals was, however, "a key concern for. . .opponents and proponents during the election campaign" (Kent 2007). It was in determining the viability of Lloyd Georges' proposal that Keynes (a life-long Liberal supporter) and Henderson were inspired to publish *Can Lloyd George do it?* It was also central to Kahn's study, "The Relation of Home Investment to Unemployment" (Kahn 1984). In describing the effect of the former work, Kahn (1984) later recalled that Keynes and Henderson's work within *Can Lloyd George do it?* "marked a milestone in the development of thought." It also inspired Kahn himself to examine Lloyd George's proposal, primarily "because of" the "arithmetical and logical problems which it raised" (Kahn 1984).

Central to Lloyd George's campaign was employment, it being argued that the gainful employment of the country's "unemployed" population would have a positive and cumulative effect on economic progress. The "unemployment fund," at the time, paid a "cash disbursement of" £50 million per year in benefits to those without work (Keynes and Henderson 1929). Accordingly, if the government's proposed work program decreased the number of "unemployed," "relief" payments – including "the dole" – would "no longer be payable" to those members of society who had found work (Kent 2007). According to Keynes, this saving "alone would furnish between a quarter and a third of the total cost" of the government's proposals (Kent 2007). Further economic benefit, so it was predicted, would be found in the effects of increased consumption. For, a person "employed" spends more than a person "unemployed" (Kent 2007). Therefore, government "spending on public works" not only increases employment (decreasing unemployment payments), it also stimulates "greater trade activity" by increasing "domestic spending" and market "confidence" (Kent 2007). Government spending on public works would thus create a "cumulative effect." For "the greater trade activity" stimulated by the Government's initial investment in "public works" would go on to "make for further trade activity" (Kahn 1984; Keynes and Henderson 1929). Those directly employed by "public works" (i.e., primary employment) through increased spending and trade would stimulate a secondary wave of new employment (i.e., secondary employment).

Despite acknowledging this phenomenon, Keynes and Henderson, within their article, *Can Lloyd George do it?*, made "no attempt . . . to separate out the ratio of secondary to primary employment" (Kahn 1984). Despite believing the correlative relationship between government spending employment was "of immense importance," they did not believe it was "not possible to measure the effects of" spending "with any sort of precision" (Kahn 1989). Keynes and Henderson, therefore, "so far as is known," "made no estimate of the 'multiplier' – the ratio of the total additional employment (primary and secondary) to the primary employment" within their publication (Kahn 1984).

For Kahn, the "superficially obvious object" of his article was to estimate the "multiplier" (Kahn 1984). Kahn's publication of "The Relation of Home Investment to Unemployment" thus both follows on from Keynes and Henderson's *Can Lloyd George Do It?* and acts as a corrective to its obvious failings. The scope of Kahn's publication, however, while examining the implications of Lloyd George's proposal for reducing unemployment by funding "public works," is restricted to the "arithmetical question" proposed by Lloyd's Georges claims (Kahn 1931, 1984). Distinguishing between "primary" and "secondary" forms of employment (terms later adopted by Keynes in *General Theory*), Kahn set the foundation from which he was able to calculate the changes in employment resulting from government investment (as proposed by Lloyd George) (Kahn 1984). In determining how "Government investment" influences the "ratio of secondary employment to primary employment," Kahn developed what became known as the "multiplier theory" (Kent 2007). Kahn's "multiplier" demonstrates how "exogenous" investment can stimulate a cycle of increased income and consumption within a society (Meade 1993). For, increased employment stimulates favorably "the state of confidence" for consumer and "entrepreneurs" alike (Kahn 1984). Significantly, Kahn (1984) later noted, no "account of the large increase in employment everywhere resulting indirectly from the addition to the national purchasing power represented by the wages of the workers directly employed in this way" had been attempted by economists (Kahn 1984). In seeking to remedy this failing, Kahn's theory was "designed to evaluate the amount of 'secondary' employment (in the ordinary consumption goods industries of a country) brought about by a given amount of 'primary' employment (in the production of capital goods)" (Kent 2007).

In reflecting upon the significance of "The Relation of Home Investment to Unemployment," Keynes subsequently observed that Kahn's,

> . . . argument in this article depended on the fundamental notion that, if the propensity to consume in various hypothetical circumstances is (together with certain other conditions) taken as given and we conceive the monetary or other public authority to take steps to stimulate or to retard investment, the change in the amount of employment will be a function of the net change in the amount of investment; and it aimed at laying down general principles by which to estimate the actual quantitative relationship between an increment of net investment and the increment of aggregate employment which will be associated with it. (Keynes 1936/2017)

According to Keynes, "in given circumstances a definite ratio, to be called the *Multiplier*, can be established between income and investment and, subject to certain simplifications, between the total employment and the employment directly employed on investment" (i.e., "primary employment") (Keynes 1936/2017). In other words, the "value of the *multiplier*" is the "rate at which 'every dollar spent by the government…create[s] several dollars of income'" (Scheall 2015). As a result, governments working to close the gap between "current spending and the level of spending … would ensure both zero inflation and zero unemployment" (Scheall 2015).

By establishing a "precise relationship…between aggregate employment and income and the rate of investment," we can thus see how Kahn's work was "integral" to the development of Keynes's "theory of employment" (Keynes 1936/2017). While the degree to which Kahn's work influences Keynes's is debatable, there is no doubt that Kahn – as both his "favourite pupil" and "Executor to Keynes' estate" as well as a close colleague – played a significant role in Keynes's life and the development of his economic theories (Fantacci et al. 2012; Kerr and Harcourt 2020).

Keynes: Towards a General Theory

The Great Depression of the 1930s was a "major turning point" in economic history (Crafts and Fearon 2013). Production rates fell, banks began to fail, and unemployment soared (Skousen 2007). Existing economic models (at the time) centered on "'long run' solutions" to the problem, solutions that did nothing to alleviate the troubles of financial strain imposed upon the people of the time (Keynes 1936/2017). Keynes believed economists "ought to… do better," do more to "alleviate some of that suffering," and more to aid the recuperation of the economy in the short term (Keynes 1936/2017). For, as he had famously stated in *A Tract on Monetary Reform*, "*In the long run* we are all dead" (Keynes 1929). Keynes acknowledged the failings of the capitalist or "free market" economy, specifically its inherent instability and its natural deterrence from full employment (Keynes 1936/2017; Skousen 2007). However, he also "argued that these failures had surprisingly narrow, technical causes" (Krugman 2018). As Keynes (1964: 379) expressed it,

> I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use … It is determining the volumes, not the direction, of actual employment that the existing system has broken down.

To redress the economy's perceived faults, Keynes proposed a solution: a "revolutionary" solution (Keynes 1936/2017). Within *The General Theory of Employment, Interest and Money*, Keynes proposed that governments "deliberately running federal deficit and spending money on public works…would expand "aggregate demand" and restore confidence" (Skousen 2007). His reasoning was simple: "mass unemployment has a simple cause, inadequate demand, and an easy solution, expansionary fiscal policy" (Krugman 2018). In summing up his views on fiscal expansion, Keynes (1964: 129) provided a famous if somewhat flippant example:

> If the Treasury were to fill old bottles with bank-notes, bury them at suitable depths in disused coal-mines . . . and leave it to private enterprise on well-tried principles of **laissez-faire** to dig the notes up again (the right to do so being obtained, of course, by the tendering for leases of the note-bearing territory), there need be not more unemployment and . . . the real income of the community, and its capital wealth also, would probably become a good deal greater.

Keynes's *The General Theory* was not the cause of the world's subsequent recovery from the depression. Where governments pursued policies of fiscal expansion – as with Franklin Roosevelt's New Deal – it was typically done without guidance from Keynes's *General Theory*, which was not published until 1936. Nor did "Keynesian" policies bring about the end of the Great Depression. It was World War II that "restored full employment" (Krugman 2018). Keynesian economics is, however, credited with aiding governments in their fight to ensure "the postwar world" did not "slip back into depression" (Krugman 2018).

Keynes's *The General Theory* rethinks economics. In introducing his theory, Keynes informed his "fellow economists" that escaping from the "habitual modes of thought and expression" is difficult (Keynes 1936/2017). However, he goes on to say that such an escape is necessary in order to open the mind and accept the "new" and "extremely simple" ideas presented in his book (Keynes 1936/2017). While Malthus had previously recognized "failures of demand were possible," in the 1930s there existed no "model" to support such a line of examination (Krugman 2018). For Keynes, "classical" economic models are applicable for explaining economic behavior only in a "special case" – not the "general case." They are thus inapplicable to "the economic society in which we actually live" (Keynes 1936/2017; Skousen 2007). By way of illustrating this, Keynes convincingly refuted the "then conventional" understanding of the relationship between wages and labor (Krugman 2018; Keynes 1936/2017). Classical economic theory, Keynes says, bases its "theory of employment" on two "fundamentally wrong" "postulates": (1) "The wage is equal to the marginal produce of labour"; (2) "The utility of the wage when a given volume of labour is employed is equal to the marginal disutility of that amount of employment" (Keynes 1936/2017). Diverging from classical thought, Keynes conceived that:

> When employment increases aggregate real income is increased. The psychology of the community is such that when aggregate real income is increased aggregate consumption is increased, but not by so much as income. Hence employers would make a loss if the whole of the increased employment were to be devoted to satisfying the increased demand for immediate consumption. Thus, to justify any given amount of employment there must be an amount of current investment sufficient to absorb the excess of total output over what the community chooses to consume when employment is at the given level. For unless there is this amount of investment, the receipts of the entrepreneurs will be less than is required to induce them to offer the given amount of employment. (Keynes 1936/2017)

By examining the *actual* behavior of the economy – forgoing "the way in which we should like our Economy to behave," as is characteristic of classical economists – Keynes was able to propose a relatively "simple" solution to overcoming economically depressed markets (Keynes 1936/2017; Krugman 2018). For in his model, increased demand not only stimulated increased production, it also produced an increase in investment as employer's put in orders for new machines, factories, and transport.

Constructing an alternative theory, detached from the models of classical economy requires sophisticated thought. According to Keynes, the "real classical model" could be described as "model of a barter economy, in which money and nominal prices don't matter" (Krugman 2018). Guided by Say's law (i.e., "supply automatically creates its own demand, because income must be spent"), and denying interest rates play a significant role in managing the economy, Keynes argued that traditional economics was fundamentally misguided (Krugman 2018; Keynes 1936/2017). Central to Keynes's alternative model was an attempt to "discover what determines the volume of employment" (Keynes 1936/2017). To begin explaining his theory, Keynes provided an overview of the factors comprising a business cycle, notably income, investment, and employment. Of these three factors, Keynes argued that demand is key to this cycle (Keynes 1936/2017). Reinforcing the significance of demand, Keynes states, "All production" (and thus all employment necessary to facilitate production) "is for the purpose of ultimately satisfying a consumer" (Keynes 1936/2017). Identifying what factors influence a consumer's "propensity to consume" is, therefore, central to demand (Keynes 1936/2017). Accordingly, stimulation of these demand factors – including, the wage-unit, income, and capital-values (i.e., the value of one's home) – has the ability to influence the level of aggregate demand (Keynes 1936/2017). According to Keynes, "the propensity to consume is a fairly stable function" and "as a rule, the amount of aggregate consumption mainly depends on the amount of aggregate income" (Keynes 1936/2017). This insight is significant to understanding of employment. For it leads Keynes to conclude that "employment can only increase *pari passu* with an increase in investment; unless, indeed, there is a change in the propensity to consume" (Keynes 1936/2017). Furthermore, by establishing a "ratio" (i.e., multiplier) "between income and investment and... between the total employment and the employment directly employed on investment," Keynes was able to determine "the precise relationship, given a propensity to consume, between aggregate employment and income and the rate of investment" (Keynes 1936/2017). This "step is an integral part" of Keynes's "theory on employment" (Keynes 1936/2017).

What factors influence investment? This deceptively simple question requires a highly complex response. Prior to examining the question, Keynes outlined *why* a person may invest, noting that when a person "buys an investment or capital asset," they purchase "the right to the series of prospective returns, which" they expect "to obtain from selling its output, after deducting the running expenses of obtaining that output, during the life of the asset" (Keynes 1936/2017). In other words, people invest with the expectation of being better off than they would otherwise have been. By calculating the *marginal efficiency of capital,* investors are able to determine the net return they can expect to receive from a capital investment (Keynes 1936/2017; Krugman 2018). Keynes defined the *marginal efficiency of capital* as "being equal to that rate of discount which would make the present value of the series of annuities given by the returns expected from the capital-asset during its life just equal to its supply price" (Keynes 1936/2017). There exists, therefore, a relationship between "the marginal efficiency of capital" and "the rate of investment" (Krugman 2018; Keynes 1936/2017). Keynes, however, expanded on this finding, stating that "the rate of investment will be pushed the point on the investment demand-schedule where the marginal efficiency of capital, in general, is equal to the market rate of interest (Keynes 1936/2017). From this accurate insight, Keynes concluded that it is the "investment demand-schedule" (i.e., the depreciation or wearing out of past investment) and the "rate of interest" that influences investment (Keynes 1936/2017). In tying this insight with the volume of employment, it can be concluded that "employment is determined by the point at which the value of output is equal to the sum of investment and consumer spending" (Krugman 2018). Consumer spending is thus central to employment, spurring not only direct production but also increased investment. As Keynes stated, "since the expectation of consumption is the only *raison d'être* of employment, there should be nothing paradoxical in the conclusion that a diminished propensity to consume has" all things being equal, "a depressing effect on employment" (Keynes 1936/2017).

Wages and price have an important relationship in the economy. In exploring their relationship, Keynes posed two questions: (a) "Does a reduction in money-wages have a direct tendency. . .to increase employment?" (b) "does a reduction in money-wages have a certain or probable tendency to affect employment in a particular direction" (Keynes 1936/2017)? Keynes not only looked toward his theory in order to answer these questions but, characteristically, also outlined how his theory filled the gap left by classical thought. Classical economics, specifically "Professor Pigou's *Theory of Unemployment*" says Keynes, has "no method of analysis" through which these questions are able to be answered (Keynes 1936/2017). For, classical theory "has nothing to offer, when it is applied to the problem of what determines the volume of actual employment as a whole" (Keynes 1936/2017). Keynes's theory on the other hand does. According to Keynes, a reduction in wages does *not* correlate with an increase in employment (Keynes 1936/2017). Instead, changes in employment levels are influenced by changes in aggregate demand (Keynes 1936/2017). Keynes nevertheless identified that there are various methods through which demand may be increased – each with varying degrees of success. In summary, Keynes observed that, "If, for example, the increased demand is largely directed towards products which have a high elasticity of employment, the aggregate increase in employment will be greater than if it is largely directed towards products which have a low elasticity of employment" (Keynes 1936/2017). If investment cultivates demand, it must therefore follow that money influences demand. It also follows that money primarily influences demand through the "rate of interest" (Keynes 1936/2017). However, this conclusion "presents a deceptive simplicity" (Keynes 1936/2017). For, the rate of interest is quantitatively affected by "the schedule of liquidity-preference," "the schedule of marginal efficiencies" and "the investment multiplier," each of which is individually defined by a further layer of factors, including wages (Keynes 1936/2017). Given these complexities, Keynes concluded that Government intervention is vital to ensuring a stable economic future.

A free market, free from any form of government intervention is inevitably subject to severe fluctuations in trade cycles. Free markets, therefore, in Keynes's estimation, typically fail to "provide for full employment" or an equitable distribution of "wealth and incomes" (Keynes 1936/2017). Accordingly, in summing up the need for government intervention in the economy, Keynes (2019) stated

> In conditions of *laissez-faire* the avoidance of wide fluctuations in employment may. . .prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands.

Unlike traditional economists, Keynes also recognized the importance of interest rates in managing an economy (Keynes 1936/2017). For the "rate of interest" has the direct ability to influence economic activity (Keynes 1936/2017). Acknowledging that in a free market, "the rate of interest is not self-adjusting at a level best suited to the social advantage," Keynes asserted that government intervention in managing interest rates aids not only the alleviation of the "booms" and "slumps" of the market. It also has the ability to keep the economy in a "quasi-boom" state (Keynes 1936/2017). As Keynes stated:

> . . .the remedy for the boom is not a higher rate of interest but a lower rate of interest! For that may enable the so-called boom to last. The right remedy for the trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump; but in abolishing slumps and thus keeping us permanently in a quasi-boom.

In calling for increased state intervention, Keynes was not, however, a proponent for socialism. Instead, he aimed to "save capitalism" from its own failings (Krugman 2018). In doing so, he believed that incentives such as "money-making" and "private wealth-ownership" were critical to ensuring that certain "activities" reach their full potential (Keynes 1936/2017). Keynes's remedy to a depressed economy, unlike "many of his contemporaries" (i.e., socialists, communists, fascists, etc.) vying for "government takeover," involved the government introducing policies to stimulate "effective demand" and revitalize the market in the relatively short term (Krugman 2018). For Keynes, the problem of mass unemployment was, in fact, relatively easy to solve (Krugman 2018).

Keynes and Hayek: The Debate

Keynes did not develop his revolutionary theory without controversy. Party to the "most famous" debate "in the history of contemporary economic thought" was John Maynard Keynes and "rival" economist, Friedrich August Hayek, who would later win a Nobel Prize in Economics (Bas 2011). Supporting "doctrines. . .in direct opposition to Keynes," it was Hayek who initiated the debate with a critical review of Keynes's work in *A Treatise on Money* (Bas 2011; Facchini 2016; Kahn 1984). In doing so, Hayek set out to "show up" Keynes's *Treatise* "as a theoretical dead end"

(Hayek 1935/2008). The debate that ensued spanned 2 years (1931–1932) and centered primarily on the interpretation of the content of Keynes book, and more specifically their differing views on the "nature of a free market economy" (Bas 2011; Facchini 2016). At the time of this debate, the global economy was already failing, evidence in Keynes's estimation that the "self-regulating" free market was *not* "self-regulating" (Keynes 1936/2017). As an exponent for "interventionism" (Facchini 2016), Keynes believed that markets could be stabilized by government policies without any detrimental effect on a nation's long-term productive capacities (Facchini 2016). Hayek, on the other hand, was a supporter of "laissez-fair" economics (Facchini 2016).

The debate between Keynes and Hayek was important not only in itself but also in terms of the theoretical conclusions that occurred as a result of their interaction (Bas 2011). The most obvious effect of the debate is found in Keynes's reaction, Keynes subsequently declaring that a desire to "re-shape and improve" his "central position" was behind his early withdrawal from the debate (Bas 2011). The main result of this reshaping of ideas is found in Keynes's publication of *The General Theory*, a work that displayed a "new elaboration of his model" when compared to that found within his previously published *The Treatise on Money* (Bas 2011). While the debate between the two economists ended, for the followers of their respective disciplines it was – and is – "indeed, ongoing" (Scheall 2015).

Hayek is renowned for his "profound and enduring" contribution to economic thought, most specifically his work on macroeconomics. In his first major work, *Prices and Production* – a study that was originally presented across four lectures at the University of London in 1930–1931 – Hayek outlined a novel theoretical proposal: that "industrial fluctuations" are caused by a "misalignment" between real loan interest rates and the "natural rate of interest" (Scheall 2015; Hayek 1935/2008). For, in Hayek's estimation, when real loan interest rates are "below" the "natural rate," economic instability – a precursor to economic collapse – ensues (Scheall 2015; Keynes 1936/2017). As Hayek observed, "unnaturally low interest rates lead in the short run to what appear to be positive effects that are inexorably reversed in the longer run: boom is eventually and unavoidably followed by bust" (Scheall 2015).

Hayek's solution to stimulating the trade cycle in depressed markets was markedly different to that of Keynes's. Keynes argued that by increasing consumer demand and elevating consumption levels (i.e., spending), economic "breakdown" could be curtailed (McNerney 2016). Thus, government intervention plays an important role in controlling market fluctuations. For Hayek, however, disrupting the *natural* order of the market had long-term consequences. Artificially "lowering interest rates," for example, manipulates monetary supply, thereby distorting the "structure of production by encouraging [the] production of temporarily early capital goods" (Ebenstein 2003). In times of depression, third-party management of interest rates thus creates an imbalance in the economy (Ebenstein 2003). For, "in the short run, increase in the demand for consumer goods can redirect production from longer temporal capital processes to the quick production of consumer goods, thereby entailing less capital investment in the longer temporal process" (Ebenstein 2003).

Hayek's point was that unnatural intervention "would discourage real investment," i.e., investment that usefully serves the long-term needs of the economy (Ebenstein 2003).

Hayek's critical review of Keynes's *The Treatise on Money* ignited a debate that would outlive both parties. Central to the debate was Hayek's criticism of Keynes's incomplete analysis of a "capital theory" (Scheall 2015; Facchini 2016). While Keynes acknowledged that a more thorough analysis would have improved his study, he was of the opinion that publication of the work was "too pressing to wait for an adequate theoretical analysis" (Scheall 2015; Facchini 2016). According to Hayek, Keynes's "fallacious theory of capital" was the root of many problems within his work. For, from this theory stemmed an "obscure analysis of investment" and an "unsatisfactory account of profits" – central factors of an economy (Hayek 1931b; Zouache 2008). While Hayek agreed "perfectly" with Keynes's assertion that the profits achieved by "entrepreneurs" has a direct influence on an entrepreneur's business, he also sensibly observed that there exists a correlation between profits and the level of investment undertaken by entrepreneurs (Hayek 1931b). As a result, Hayek disagreed with Keynes's account of "why profits arise" and "with his implication that only changes in 'total profits' . . . can lead to an expansion or curtailment" in production (Hayek 1931b). According to Hayek, Keynes's assessment led one to believe "that *any* change in the amount of capital per head of working population is equivalent to a change in the average length of the roundabout process of production" (Hayek 1932). He went on to say:

> . . . his [Keynes] exclusive insistence on new investment and his neglect of the process of re-investment makes him overlook the all-important fact that an increase in the demand for consumers' goods will not only tend to stop new investment, but may make a complete reorganisation of the existing structure of production inevitable-which would involve considerable disturbances and would render it impossible, temporarily, to employ all labour. (Hayek 1932)

What Keynes is ultimately discussing within his *Treatise on Money,* according to Hayek, are "shifts in the money streams and the consequent changes in price levels" (Hayek 1932). He goes on to say that "It seems never to have occurred to him that the artificial stimulus to investment, which makes it exceed current saving, may cause dis-equilibrium in the real structure of production which, sooner or later, must lead to a reaction" (Hayek 1932). Ultimately, Hayek says, Keynes's explanation of a trade cycle dictates that the central factor influencing an economic "boom" is *not* "the increase in investment, but the consequent increase in the prices of consumer's goods and the profit which is" subsequently gained (Hayek 1932). He goes on to provide three key reasons why Keynes's proposal would consequently fail in practice, namely: the stimulus is not able to be maintained indefinitely, increased consumer demand may lead to a "decrease in investment," and finally it may "produce a decrease" in "general activity and employment" (Hayek 1932).

Keynes's response to Hayek's critique is surmised in a relatively short article, *The Pure Theory of Money. A Reply to Dr. Hayek* (Keynes 1931). Within this paper, Keynes surmised that many of the faults identified and examined by Hayek were in fact misinterpretations of his work. Moreover, Keynes suggested, where Hayek's criticisms were true they did not detract from the fundamental concepts that Keynes had outlined. Referencing the content of Hayek's publication *Prices and Production* throughout, Keynes's reply evolves to become in part a review of Hayek's book. Careful to emphasis what he perceived to be a fundamental failing of Hayek's work in his response to Hayek, Keynes reviews the concepts within *Prices and Production* stating:

> This book as it stands, seems to me to be one of the most frightful muddles I have ever read, with scarcely a sound proposition in it beginning with page 45, and yet it remains a book of some interest, which is likely to leave its mark on the mind of the reader. It is an extraordinary example of how, starting with a mistake, a remorseless logician can end up in Bedlam. Yet Dr. Hayek has seen a vision, and though when he work up he has made nonsense of his story by giving the wrong names to the objects which occur in it, his Khubla Kahn is not without inspiration and must set the reader thinking with the germs of an idea in his head. (Keynes 1931)

Following the publication of his response, Keynes withdrew from the "debate" (Bas 2011).

As a result of the three articles Hayek authored in *Economica* "reflecting" upon Keynes's work in the *Treatise on Money* – and Keynes's response to this intellectual assault – Hayek's critique "dominated" the academic journal (i.e., *Economica*) "for a full year" (Ebenstein 2003; Hayek 1931b, 1932). Several generations on, the questions that emerged from the debate still inform and divide economists, managers, business leaders, politicians, and governments. What is the best response to a slowing economy? Is it government intervention, directed towards full employment and increased demand? Or, should instead, society seek instead to bolster the supply-side factors in the economic equation: profits, higher productivity, greater efficiencies? As in the time of Hayek and Keynes, these questions remain deeply divisive.

Conclusion

Across his academic career, Keynes spoke to the central issues of his time, creating insights and debates that remain central to our time. A member of the British delegation responsible for the drafting of the *Treaty of Versailles*, Keynes vehemently opposed to the harsh peace terms. The purpose of his first major book *The Economic Consequences of the Peace* was "to show that the Carthaginian Peace is not *practically* right or possible" (Keynes 1919/2005). The "Germans could not pay what they had not got," nor was it in the best interests of Europe for Germany to be transformed into an "inefficient, unemployed" nation with no hope of economic recovery (Dimand 2019; Keynes 1919/2005).

Evident within the final chapters of *The Economic Consequences of the Peace* is a clear interest in macroeconomic factors, and the relationship between political decisions and economic outcomes. In pursuing these themes, Keynes's ideas were influenced by his one-time student, Richard Kahn, an economist who conceived the "Multiplier Theory," i.e., the "rate at which 'every dollar spent by the government. . .create[s] several dollars of income" (Scheall 2015). In building upon Kahn's insights in his *The General Theory*, Keynes transformed not only economics but also politics through his attack on the "reigning orthodoxy of classical economics" (Krugman 2018). Unlike his classical counterparts, Keynes recognized that within a free market, decreased demand can lead to not only "involuntary unemployment" but also a vicious economic circle whereby falling consumer demand led to further reductions in both demand and production (Krugman 2018). Arguing that a free market is – if left to itself – often incapable of providing "full employment," Keynes' proposed a theory that would "save capitalism" rather than destroy it (Keynes 1936/2017; Krugman 2018). In doing so, Keynes proposed that government intervention in the form of "policies" aimed at regulating "effective demand" (Krugman 2018; Keynes 1936/2017). In aiming to increase consumer demand, Keynes argued, the main short-term objective is not increased levels of individual wealth but rather a greater *inducement* to invest. For, as Keynes (1936/1964: 31–32) explained in his *General Theory*,

> If in a potentially wealthy community the inducement to invest is weak, then, in spite of its potential wealth, the working of the principle of effective demand will compel it is reduce its actual output, until, in spite of its potential wealth, it has become so poor that its surplus over its consumption is sufficiently diminished to correspond to the weakness of the inducement to invest.

Although Keynes was no socialist, his ideas nevertheless represented a profound questioning of the role of market competition in liberal democratic societies. No one recognized this with greater clarity than Hayek, one of the twentieth century's greater defenders of competition and free markets. In critiquing Keynes's work in 1931–1932, Hayek observed that Keynes was trying to steer economic thought in a relatively new direction, attempting to "amalgamate" his "new ideas with the monetary teaching tradition in Cambridge" (Hayek 1931b). According to Hayek, this attempt was unsuccessful. His thoughts on the matter were communicated within three articles (two with written substance) written in response to Keynes publication, *The Treatise on Money*. Despite referring to Keynes works as "undeniably. . .magnificent," Hayek is largely critical of the publication, finding faults in many key elements including, prices, investment, and capital (Hayek 1931b, 1932). In providing his criticisms of Keynes, Hayek was not only giving voice to what became a powerful anti-Keynesian tradition during the closing decades of the twentieth century, he also provided a spur to Keynes, forcing him into a thorough reconsideration of his own principles; a reconsideration that found fruit in Keynes's *General Theory*.

As management historians, we still live in the shadow of the Keynes-Hayek debate. Divisive as this debate has been, we can nevertheless hardly pursue our own analysis without an understanding of economics in general and this debate in particular. For, as Keynes once said:

> . . .the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.

Cross-References

- ▶ Conflicting Understandings of the Industrial Revolution and Its Consequences: The Founding Figures of British Management History
- ▶ Economic Foundations: Adam Smith and the Classical School of Economics
- ▶ Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
- ▶ Neo-classical Thought: Alfred Marshall and Utilitarianism
- ▶ The Marxist Opposition to Capitalism and Business

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The Age of Strategy: From Drucker and Design to Planning and Porter

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Kevin D. Tennent

Contents

Abstract

By the 1990s, Strategic Management had emerged and consolidated itself as a "capstone" element of many business and management school degree programs, most notably on MBA courses. This chapter follows the development of the strategic management discipline from the late 1930s to the early 1990s by considering some of the most important works in the field, demonstrating how strategy detached itself from the broader managerial and societal concern of organizational purpose reflected in the works of authors in the field before 1975. It narrowed in focus to become a purely economic construct, with the effect of hiving off governance and leadership as entirely separate academic subfields.

Keywords

Strategic management · Drucker · Porter · Mintzberg · Design school · Positioning school

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Introduction

The period from the Second World War until the 1980s was one in which the developed world grew more comfortable with the concept of the large organization as an integral part of the economy and society. It was, to a large extent, the dominant mechanism for the organization of the capital-intensive second industrial revolution industries then in their heyday as well as the emerging organizations of the third, as well as some of the increasingly important service industries. Scale was felt through the factors of capital, land, and labor as organizations had evolved to subsume and organize their own supply chains and distribution channels. Industrial and commercial organizations, typologized by Alfred D. Chandler (1962) as the "modern industrial enterprise," were therefore becoming increasingly complicated, employing many more people than before, and typically developed hierarchies and managerial structures that involved a mix of decentralization and centralized authority, often with chains of managers or administrators who were increasingly removed from the shop floor. The modern industrial enterprise together with other large-scale corporate organizations was enjoying an increasing amount of authority over the everyday lives of the populace in western countries and gradually in the wider world too. This behemoth is needed to be controlled and directed in some way (although for whose benefit remained contested ground). The academic disciplines of administrative science, business policy, and then eventually strategic management emerged to rise to the challenge of providing theories and prescriptions to first make sense of and then provide instruction for this challenge. Generally speaking, this involved deliberate and conscious forward thinking of some form as to how best to direct and deploy these resources, through some rationalizing process.

This chapter aims therefore to discuss some of the major themes emerging from this cache of writers who attempted to provide schemas for the rationalization and control of the modern industrial enterprise, which undoubtedly involved the evolution of a business progressive paradigm with quasi-militarist overtones. The strategic management discipline, with its inherent disagreements and competing schools of understanding as it emerged from the 1950s and 1960s onward, has been heavily chronicled and critiqued by recent authors with an interest in the field including Mintzberg and Waters (1985), Mintzberg (1978, 1990, 1994, 2004), Mintzberg et al. (1998), Carter et al. (2008), as well as Chia and Holt (2009). The related acceleration of business school activity has been critiqued in the works of authors such as Kharuna (2007) and McDonald (2017). This account aims to be sympathetic and complimentary to the works of these authors and the themes they bring forward but also aims to broaden the discussion somewhat. It is difficult to escape the oeuvre of Mintzberg, perhaps the discipline's most effective historian because of the reflexive character of his work. Mintzberg et al.'s (1998) work is an extremely valuable work as it charts the battles around what strategy ought to be, what we might consider the planning, position, and perspective wars. Mintzberg's earlier work (1990; Mintzberg and Waters 1985) focused on a critique of the normative understandings of the design and planning schools (and the assumptions that later schools identified by Mintzberg, including the positioning and cultural inherited) that forward thinking around the deployment of resources was a necessity, showing that strategy could also be developed on the hoof or even retrospectively, and his thinking ultimately culminated in a critique of MBA education that suggested that strategic management had culminated in an empty process of strategic programming detached from the reality of running a large organization, with the consequence that strategy, rather than the success of the organization, became the overriding aim (2004). Segal-Horn (1998) and later Carter et al. (2008) follow in a similar mold, focusing on the military origins of the very notion of strategy as traceable back to antiquity in the warring city states of Greece, the very term deriving from "Strategia," a subunit of Greek soldiers and their commander, a "Strategios." This is then mapped through the work of Machiavelli (1515) and Clausewitz and Rapoport (1982) to demonstrate that strategy is ultimately about the projection of power in society, a characteristic often overlooked or underplayed by economically theorized approaches, perhaps most notoriously, but not exclusively, those of Michael Porter (1980, 1985, 1990). Chia and Holt (2009) further focus on the notion of deliberacy and strategic action as the projection of power, even suggesting that direct projection of power can ultimately end up having the opposite effect to that originally intended.

Nonetheless, this chapter would like to contribute the idea that there is more to this story than the mis-adaption and application of rationalistic and militaristic ideology to complex business environments. In particular it would like to contribute the idea that managerialism is a "missing" school of strategic management from the normative classification put forward by Mintzberg et al. (1998). Mintzberg is right that the period running from the 1940s to the 1980s, and especially between the 1940s and 1970s when the influence of the Second World War was at its height, was the golden age of strategic planning. There was, further, a progressive obsession with political and economic planning as well as of urban space (see Jacobs (1962) for a contemporary critique of this), which spilled over into corporate strategy. An important part of the story to consider is that as the discipline defined itself, it gradually narrowed in scope and ambition, perhaps with destructive consequences – starting firstly through the work of pioneering authors such as Barnard (1938), Drucker (1946, 1955, 1967, 1974), and Selznick (1948, 1957) who incorporated strategy within the mid-century concept of managerialism (Doran 2016; Klikauer 2015), a broad concept of the corporation and organizational statesmanship in early attempts to define it, to a plan for the corporation under planning and design school authors such as Christensen et al. (1978) and Ansoff (1965), to an economically deterministic choice for the corporation by the time that we reach Porter (1979, 1980, 1985, 1990) and his resource-based view critics (Barney 1991; Dierickx and Cool 1989; Grant 1991; Prahalad and Hamel 1990; Wernerfelt 1984). By the 1980s "strategic management" had emerged as a distinct discipline out of "business administration" or "business policy," but in its mainstream it had become almost entirely concerned with the holy grail of "sustained competitive advantage," a relatively narrow conceptualization in which the aim of a successful firm was to create long-term economic rents for itself. These views assumed that there were no costs associated with cooperation and organization itself and that organizations were essentially malleable to the creation of strategy. This shift was to a large extent the consequence of a perceived need to remold managerialism to a Friedman (1962) style purpose of making a profit within the law, something furthered by Jensen and Meckling (1976), escaping both the Druckerian model and the design and planning-based approaches to strategic management. This chapter therefore begins with a discussion of some of the early authors who conceived strategy very differently to later authors, in a much more holistic fashion, before tracking the contraction down through design and planning to positioning and resources.

Proto-strategy: Organizational Statesmanship and Managerialism

In the USA of the 1920s and 1930s, a paradigm had emerged that the complex modern organization was becoming an increasingly hegemonic entity in society. The Great Depression following the Wall Street Crash of 1929 reinforced this Zeitgeist. Berle and Means (1932) identified the power gap created by the increasing control over American society's resources enjoyed by large corporations. These corporations were increasingly characterized by the separation of ownership and control, and a major point of dispute following the Dodge v Ford case had been the extent to which management were obliged to run a corporation in the interests of creating a surplus for shareholders (Henderson 2007). This phenomenon spilled over into foreign policy, partly driving the US expansionary relations with Latin American states until the introduction of the "Good Neighbour" policy by Roosevelt in 1933. Adolf Berle was partly inspired by his experience of serving in the US military during the country's occupation of the Dominican Republic, which was encouraged by corporations in the fruit industry (Russell et al. 2017). Nonetheless Berle, who had served in the military with his co-author Gardiner Means, saw value in the dispassionate character of military service as an entity of itself and viewed the separation of ownership and control in the large corporation as an opportunity to reorient management toward a similar ideology of dispassionate service in favor of the public good (Smith et al. 2018). This was expressed as a claim that "neither the claims of ownership nor those of control can stand against the paramount interests of the community" (Berle and Means 1932, p. 356), creating the expectation that the moral duty of senior management should be to provide stable and fair employment together with a steadiness and continuity of business itself. This arguably subverted the idea of shareholder primacy toward some form of stakeholder primacy. Berle and Means assigned an ideological, moral duty to the corporation to serve all its stakeholders equally but also, and critically, felt that this duty should be reserved to the manager as the professional (and perhaps university trained) expert rather than workers themselves (Smith et al. 2019, pp. 15–19). The Berle and Means book went through numerous reprints and had a significant and deep influence over American business culture for the next half a century or so (Bratton 2000; Bratton and Wachter 2009; North 1983; Pepper 2019; Thompson 2019; Tsuk 2005).

The expectation that managers should provide moral leadership capable of furthering the complex organization as a societal as well as economic entity was then taken up by early writers including Chester Barnard (1938), Philip Selznick (1948, 1957), and, perhaps most famously, Peter Drucker (1946, 1955, 1967, 1974) who attempted to consider how this synthesis could be achieved for the whole organization, rather than its individual functions. Barnard, a former president of the Rockefeller Foundation and the New Jersey Bell Telephone Company, used *The Functions of the Executive* to set out a theory of human cooperation and organization in the round, before discussing in more depth what the role of the executive might be in directing and shaping such systems. Barnard covered all forms of formal organization, not just the profit making (1938, p. 7), and made important contributions around the nature of decision-making in complex environments (1938, pp. 197–205) as well as in terms of the barriers to cooperation which he considered could be overcome through common purpose and communication achieved through efficiency (1938, pp. 82–92), essentially a continued communal enthusiasm for contributing to the organization (McMahon and Carr 1999). The essence of Barnard's theorization was that increasing human cooperation required increased moral complexity with many different codes of morals (e.g., family, religious, social, organizational, and professional) coming together within individuals, which also necessitated an equivalent technical proficiency. Within this maze Barnard identified leadership or a high personal aptitude for both technical attainment (understanding of the technological basis for the business) and moral complexity as the "strategic factor" affecting the organization; thus to combine the two vectors successfully required a form of "moral creativeness" expressed in a dynamic process (1938, pp. 288–289).

Moral creativeness was not just the ability to reconcile conflicting ethical codes with each other but also the ability to design codes of ethics for others, which would hold the organization together (1938, pp. 272–284). This was difficult to do or properly comprehend in a complex organization, and ultimately Barnard suggests that while much prescriptive knowledge is known of the technical and functional sides of business, including accounting, finance, and personnel work (of the types already elaborated by people like Taylor (1911) and Mayo (1924)), what was required was a more general theory of organizational behavior. This would allow the five million or so people that Barnard estimated were involved in a form of executive work in the USA to share knowledge and ideas more readily (1938, pp. 288–290). Barnard saw organizations as complex institutions which meshed together many different priorities for individuals, and that strategy was about creating a shared, cooperative code or purpose that could consolidate these claims together. Barnard's legacy and his focus on the character of cooperation and decision-making influenced by competing moral codes and priorities would go on to be further influential in the organizational behavior field (Mahoney 2005). This was not least in the works of Herbert Simon (March and Simon 1958; Simon 1947, 1982), who established the related field of organizational behavior by exploring the rationality of humans as decision-makers, leading to the idea that organizational context was so powerful that it could encourage bounded rationality.

Selznick's (1948, 1957) writing would continue to struggle with the moral problem of organizational complexity in a similar vein, by pointing to the essential challenge of unifying leadership in what were increasingly habitually ingrained and routine-bounded organizations. Selznick's response, best developed in his pithy 1957 book, was the concept of *institutional statesmanship* creatively transcending everyday aims of efficiency and organization by instead using relationships between the stakeholders within and without the organization to direct it, realizing that these interactions were the potential sources of strength for the organization. The term "resources and capabilities," later a central fixture of the resource based or cultural school, appears for perhaps the first time in a strategic management text, and certainly 2 years before its credited origin in Penrose (1959), as for Selznick the role of the institutional statesman is to create a unity of purpose to best use these existing facets of the organization (1957, p. 149). But again there remained a sense of moral purpose, or "institutional integrity," that an organization should retain a "sense of security" and that the statesman's role was to identify change that would only further contribute to the organization's agreed and desired purpose through the building of cogent myth, not to radically reshape or contravene it (1957, pp. 150–153). Selznick thus continued to conceptualize strategy as a problem of social cooperation, arguing that leadership involved reshaping the social structure of an organization itself to achieve excellence. Thus his work could be applied to both for profit and not for profit organizations. Selznick's contribution, which sees the organization as both an inelastic and intangible entity, would be underrated by later strategy writers, his book having only 95 citations on Google Scholar at the time of writing, but it clearly inspired the thinking of Alfred D. Chandler (1962) who based his research on the concept of seeking an explanation for the rise of the modern industrial enterprise as an institution. Chandler is a critically important early writer who spans the bridge between the organizational statesmanship and the design school, ▶ Chap. 35, "Chandler and the Visible Hand of Management," I do not deal with him explicitly here. But Selznick through Chandler would go on to inspire the institutional school of organizational analysis (Fligstein 1990; Gillett and Tennent 2018; Scott 2001; Skelcher and Smith 2015; Thornton and Ocasio 2008), which has become increasingly influential in the twenty-first century.

Barnard and Selznick both saw the organization and thus management as an isolated unit of analysis, with social purpose beyond the organization remaining more implicit, but the intellectual contribution of Peter Drucker, at least within his works on strategy, would be to more explicitly connect the purpose of management and the organization to broader societal purpose. Mintzberg et al. (1998, pp. 13–14) say relatively little about Drucker, concentrating mainly on his 1970 paper on entrepreneurship and a 1994 summary in Harvard Business Review (Drucker 1970, 1994), but do identify that his view was one compatible with the Minzbergian view of "strategy as perspective" or "an organization's fundamental way of doing things" (Mintzberg et al. 1998, pp. 13–14). Perspective was inward looking not just to resources and capabilities but also upward looking, considering also the view of the organization held by the strategy makers. But this to some extent undersells Drucker's strongest work on strategy, which was to essentially argue that the duty of management was to use its perspective to identify how best it could profit by serving the needs of society. Drucker thus prescribed strategy content to some extent, as well as process. This was a stream of research started with his ethnographic work on General Motors, *The Concept of the Corporation*, which focused on the internal structure and workings of the company more than the market side, suggesting that the company would be more productive if it further decentralized its management style (1946, pp. 120–125). So controversial was Drucker's view that he saw the GM CEO, Alfred P. Sloan's memoir *My Years with General Motors* (1967), as a rebuttal. But this book was merely the start of Drucker's project to reform American business by consolidating and building the managerialist project.

Drucker's *Practice of Management* (1955) is perhaps the most relevant of his works which touch on corporate strategy; while some of the ideas of the book may seem self-evident to modern practitioners, they may not have been so in the 1950s. Both prescriptive and philosophical, the book builds an egalitarian and progressive portrait of the potential of management as an open *practice* that anyone with new and innovative ideas should enter rather than a *profession* with entry to be closed by degree or certification. Its primary purpose was to manage a business, prioritizing economic performance (1955, pp. 7–9) and building a productive enterprise which "transmuted" human and material resources into something greater than their constituent parts. Critically for strategists, this was a process which was lengthening due to the technological sophistication of new plants and products (1955, pp. 11–15). A longitudinal case study of Sears (a company also later examined by Chandler) as it evolved from mail order firm to an out of town "big box" store through the early twentieth century is used to develop one of the earliest points of the book – that the role of management is essentially to adapt the organization to face the market, but this required a conscious adjustment of perspective to carefully consider what business the firm should be in (1955, pp. 25–41). Interestingly for the later thinking of Porter, this entailed some horizon scanning and thought around concepts of value together with the structure of the market and likely future changes within it and a broad belief that investment in marketing would deliver results as it was the defining constitutive factor which made a profit seeking business a business, leading Drucker (1955, p. 36) to make the startling claim that European industry was struggling compared to American industry because it was not market oriented enough. A similar claim was made for the American railroad and coal industries that had declined because managements had not thought carefully about what business they were in (Drucker 1955, pp. 48–49), which seems perhaps to naively overlook the concerns of long-term capital investment and sunk costs which could make switching the means of production costly. The idea that value was constituted from what the customer seeks would prove to be critical for the future development of the strategic management discipline. More broadly, a sense emerges that though Drucker saw the corporation as a social system, he did not conceptualize it as a slow evolving dogmatic institution in the way that Selznick did; enlightened managers would operate in concert to build and adapt the bureaucracy to the needs of the economy.

Drucker then moves on through a discussion of managerial objective setting to square the idea of corporate value creation with social contribution, which in his view should be the essential strategic objective of management. Here, Berle's ideas are extended. Drucker argues for a broader focus of strategy than just profit making and, ultimately, that companies as the primary engine of wealth creation and indeed resource concentration had a broader responsibility to society. Modern industrial society was unable to exist without the legal personality of the company, and hinting at the influence of Adam Smith's (1776) concept of self-interest, he argues that self-interest alone on the part of property owners was insufficient to further the public good. Thus, in an almost Millsian conception of liberty (1863), it was down to management to ensure the public good by using their powers to act within ethical standards in order not to infringe upon either the common weal or individual freedom (Drucker 1955, pp. 375–377). Echoing yet attempting to turn the famous quote of the General Motors President Charles E. Wilson on its head, Drucker maintained instead that it was business' role to make itself good for the country or at least to combine the private and public good together by making the common good the same thing as self-interest. Thus Berle's disinterested service was not enough; the ultimate aim point of managerial strategy should be that the public good determined the self-interest of capital, which we can interpret as manifesting itself in the provision of high-quality goods and services, in employment conditions, and in a general consideration for the wider community in the pursuit of business activity. For Drucker, this ethical synthesis was ultimately only achievable through management skill and improved practice, the shortcoming being perhaps being the implicit assumption that all managers should come to share Drucker's vision.

Drucker continued to pursue this mission throughout his many publications until his death in 2005; *The Effective Executive* (1967) was a slimline volume which took a critical view of the challenge of organizational statesmanship, honing in on the problem of executive work, and specifically the idea that executives had to manage their time correctly to actually achieve their objectives, as much time was spent (or wasted?) on symbolic duties. This book, and his later tome *Management: Tasks, Responsibilities, Practices* (1974) which underlined and expanded many of the ideas of *The Practice of Management*, demonstrated an increased practitioner focus in Drucker's work. Both books are written in fairly short, readable paragraphs designed for busy readers, with frequent (but sometimes quite oblique in terms of how they were put together) historical vignettes, and intensify his thesis around the ultimate social mission of management as a public good to be achieved through a sequence of objectives. To some extent Drucker's work, as it became more concerned with functionalist areas, then veered away from strategic management in the pure sense, but his work remained concerned with management skill and its linkage to the overall ethical direction of management. Strategic management scholars have perhaps been poorer for neglecting Drucker as well as other strategic thinkers of the managerialist era.

The Golden Age of the Design and Planning Schools

One of the characteristics of the development of management studies in the USA in the 1950s was a split in approach between the two leading institutions – the Carnegie Institute of Technology's Graduate School of Industrial Administration (which employed Herbert Simon among others), which favored a research-based approach, and the experience-based approach favored by the Harvard Business School (HBS) (Mintzberg 2004, pp. 22–26). HBS had developed a distinctive applied intellectual style based around the principle of "problem-based learning," in which business practitioners were invited into the class to pose strategic problems for students to devise policies to solve. This approach was introduced in HBS's Business Policy course in 1912 and proved popular with students such that it was rolled out onto the school's other modules. By the 1960s, HBS was in a golden age of expansion and growth; a 14-week "Advanced Management Program" (AMP) aimed at senior executives aged between 30 and 50 had been introduced in 1945 and continued to succeed, cross funding the growth of the school's MBA program and allowing for the construction of dedicated classrooms, dormitories, and "executive facilities." By 1967 the AMP could boast 460 past or present chairmen or presidents of American companies among its alumni (McDonald 2017, p. 152). This teaching environment encouraged the development of a new rationalistic "strategy as process" approach embodied by the pervasive and influential textbook by Christensen, Andrews, and Bower (1978), *Business Policy: Text and Cases*, first published in 1965. This foundational text emphasized that strategy or policy as it was more properly conceived at the time should be made through a rational design process. Further, and in a major difference from the more theoretical thinking of the organizational statesmanship school, content was de-emphasized in favor of process, with the consequence that leadership was not something to be reflected on in itself but something to be developed through a process of "strategic analysis" (Christensen et al. 1978, pp. 9–11).

Transferability of experience and skill came from analysis (1978, pp. 247–259) while still involving explicit engagement with the moralities of organization (1978, pp. 524–533). The central concept was that the teaching of decision-making had to involve an awareness of the context so that learners could reach an informed judgment, however superficial an understanding this might be. Therefore *Business Policy* consisted mainly of a series of empirical case studies, intended to fully immerse students into context, but linked together by short theoretical chapters authored by Kenneth Andrews that emphasize strategic design rather than strategy content. Content was context specific, and the design of strategy considered more an art than science (1978, pp. 10–11). As Freedman (2013) notes, the strategist's role was to bring the rationality of generalism to the table and to follow a sequential framework of external and internal analysis, strategic decision-making, and implementation, guiding the design of a strategy. This generalist and rationalist step-by-step approach would make it possible for strategists to foresee, intervene, and construct the future direction of an organization, perhaps for many years to come (1978, pp. 125–142). The case method attempted to bring reality into the classroom, enhanced by Andrews' focus on SWOT analysis (1978, pp. 247–259), originally intended to be a sort of "look before you leap" organizing framework than a matrix in itself, which Hill and Westbrook (1997) would later deride as a mere list-making process. Rather the idea was for the strategist to use the SWOT analysis to inform their decision-making process (though the mechanics for this were left somewhat vague) as to how the company's existing attributes could best be melded to "design" an appropriate "choice of products and markets" (1978, p. 258) and, echoing

Chandler, a structure to support and deliver it. A design metaphor was used with Andrews calling the CEO or company president the "Architect of Organizational Purpose" (1978, pp. 19–21), who had the skill to choose both the optimal activities for a firm and the force of personality to see them carried through. Mintzberg (2004; Mintzberg et al. 1998) has long been sharply critical of the unreflexive character of the case method enshrined in this book, pointing out that a mere explanatory article on a company is not sufficient for students unfamiliar with its products, processes, or people to truly understand it and thus that it encourages "disconnected" decision-making among graduates when they move into the real world.

The Christensen, Andrews, and Bower (1978) textbook has fallen out of use in management teaching and learning since the 1970s, but an overall processual and thus design view of strategy remains dominant in pedagogy today, despite its implicitly paternalistic view of the strategist. Stakeholder management was a part of the process to be visited on the pathway between design and implementation. Christensen, Andrews, and Bower (1978) continued to some extent emphasize the moralistic concerns of the managerialists and clearly understood the political role of strategy yet at the same time assume strategy making to be entirely the role of the CEO. The book does include some consideration of "fit" in terms of the strategy's relevance to the potentially unaligned aspiration of individual managers and the company's potential contribution to society (Christensen et al. 1978, pp. 448–454, 524–533). However, while McDonald (2017, p. 260) suggests that this evidences Andrews' ethical focus, there was a difference in approach from Drucker for whom societal contribution was not optional; for Andrews, it was an element of strategy to be judged and chosen in itself and most relevant to the CEO's ethical compass. Further, these stages of the process came after a strategy had been chosen in relation to the SWOT analysis, somewhat closing the door to political discussion. The implication was a power relation granted to the CEO, not the strategy of statesmanship as skill alluded to by Barnard and Selznick. This perhaps has the dangerous implication that managers may take less seriously the need to embrace a process of coalition building, reducing the building of support to a box ticking exercise, before attempting to change an organization's strategy.

The concept of processuality and thus the envelope of perceived rationality remains an almost taken-for-granted part of much strategic management pedagogy in the twenty-first century, perpetuated by mass market textbooks including Pettigrew (1988) and perhaps most pervasively Johnson and Scholes (1993). The Pettigrew book is conceptually underpinned by the concepts of context, process, and change, while Johnson and Scholes present strategy as a linear process of analysis, choice, and implementation. While using a Venn diagram to display the three concepts, rebranded in recent editions as "Strategic Position," "Strategic Choices," and "Strategy in Action" in an attempt to show that these concepts should not become a linear pathway, as choices may have to be reinterpreted in light of recent events, the chapters of *Exploring Strategy*, now in its twelfth edition (Whittington et al. 2019), still proceed in a manner which would be recognized by Andrews. While Mintzberg et al. (1998) present strategy as a conflict of interpretation between ten schools with very different and not always compatible intellectual assumptions and heritages, the *Exploring Strategy* series shoehorns concepts and frameworks almost shorn of context into parts of the process, so Porter's Five Forces (1980) becomes an external analysis tool, while Barney's VRIN (1991) becomes an internal analysis tool, facilitating an essential SWOT construction process, while Porter's Generic Strategies (1985) are introduced as a tool for strategic choice. This structure bears a remarkable resemblance to Mintzberg et al.'s visual interpretation of the design school model (1998, p. 26), and with the textbook claiming sales of over a million cumulatively, it seems likely that repackaged versions of the Andrews model will continue to have impact in practice for a long time to come.

The danger inherent in strategy process was that the process would become an end in itself, an outcome most clearly fulfilled by the related, but different, planning school – different because it insisted on the explicit statement of objectives as a future outcome of the process rather than relying on implicit managerial values and judgment (Mintzberg 1994, p. 40). The planning school probably represented the apex of managerialism in practice; it took the assumption that rationalization rested on process from the design school and extended this premise considerably. Strategy formation was not to be a loose activity based around one CEO but now a mass activity involving the entire cohort of senior managers in the modern industrial enterprise, together with a staff of dedicated planners. These managers were expected to engage in strategy formation as a formal process, broken down into steps, and complimented by rigorous analysis techniques. This process would mean that new strategies emerged fully planned and cogent to the overall organizational purpose and objectives, often to be implemented through systems of budgetary control and objective setting (Mintzberg 1994, p. 42).

The planning school's foremost proponent was H. Igor Ansoff, who's text *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion* (1965, 1988) sets out perhaps the most extensively detailed manual for corporate expansion and diversification. Building on the ideas of Chandler around capabilities, and Drucker around objectives, as well as sharing Drucker's essential paradigm that management was a skill to be learned, the book is far more precise and systematizing than the *Business Policy* series. Written in a very "matter of fact" style with the positivist epistemological feeling of an engineering manual, the book is proudly prescriptive and is paradoxically both broad and narrow in scope all at once; Ansoff claims that strategic decisions are almost entirely related to growing the firm and how this will be achieved, either through present products or markets or through diversification (1988, p. 24). This focus has had the ironic impact that the most widely diffused and replicated element of Ansoff's work has been the "growth vector components" matrix which illustrates these choices (1988, p. 109), but this diagram was only part of a much broader series of steps intended to engineer firms to bridge the "impedance match" between firm and environment. A range of schematics and flow diagrams, breaking everything into steps, choices, and classifications, are provided, including, for instance, a "Decision Schematic in Strategy Formulation" which pathed the strategist through a consideration of whether capabilities suited diversification or organic growth, which was intended to help the reader analyze the "gap" between firm and objectives (1988, p. 46). One of the most complicated was the 19-point "Decision Flow in Project Selection" intended to appraise strategic projects for synergy (identifying and measuring this being another key concept of the book) and portfolio fit, which proposed 16 decision points in itself (1988, p. 186)! These planning schematics may have encouraged managers to think more carefully about what they were doing and certainly provided the enveloping security of recipes and methods. Ansoff was followed by other authors in proposing frameworks for forward strategic planning, most notably Steiner (1969).

From a historical perspective, it is hard to escape the conclusion that the foremost weakness of the planning school, and indeed by extension the design school, was that the future rarely works out in exactly the way we intend. Mintzberg and Waters (1985) were foremost in critiquing the limits of "deliberate" strategy, suggesting that the consistency in patterns of decision and intraorganizational cooperation were insufficient to deliver intended strategy if it was blown off course by the emergence of unforeseen environmental conditions. Empirically, the challenge of emergence overtook corporate as well as social and political planners as the 1960s turned to the 1970s, as competition from Asian economies started to threaten the viability of second industrial revolution manufacturing in North America and Europe, and the 1973–1974 oil crisis caused a general inflationary shock. Planners evolved techniques such as scenario planning, in which a number of different futures were designed to attempt to cope with uncertainty, most famously at Shell, where it was claimed that the scenario planners had foreseen the oil crisis as a possibility, allowing the company to turn the crisis to its relative advantage (Cornelius et al. 2005). One of the most high-profile failures of planning was outside the corporate sphere. The US Secretary of Defense and HBS graduate Robert McNamara mismanaged the Vietnam War, based on the assumption that the planned maximum application of force, including the rational calculation of "kill ratios," would win out in the end over the Vietcong, a force using more spontaneous, emergent guerrilla tactics which suited the local landscape (McCann 2017; Summers 1981). The McNamara case also emphasizes the detachment between planner or strategist and on the ground events or implementation, inherent in planning-based approaches, with a dangerous disconnect coming into effect which may blind the strategist to the ineffectiveness of direct action.

In its creation of rationalizing roles for managers, design and planning can be seen as stage at which managerialism was at its foremost influence in strategic management, but it also had more pernicious effects. Core among them was the Ansoffian assumption that growth was the normative objective of all firms and that no other outcome was worthy of being considered a sufficiently great "engineering" problem in business policy. Thus while Ansoff took on Drucker's interest in objectives, he dropped out the broader sense of aligning corporate purpose with society's needs and even to some extent neglects the profit making and value creating potential of business. At its worst, in terms of corporate policy, the soft diffusion of planning school ideas perhaps exacerbated an obsession with increasing corporate size and diversification in the later 1960s and early 1970s, leading to the formation of conglomerate firms with an increasingly blurred sense of core capability. In 1970, 430 out of the 500 largest US industrial companies had three or more product divisions with forms of decentralized management; even as early as 1966, 46 of the largest 500 industrial companies had eight or more divisions (Blackford 2008, pp. 197–198). Despite the best intentions of theoreticians such as Ansoff, this forced the initiative toward what generalized managers could control, the financial side of companies, and thus a focus on economization and operational efficiency over innovation. In some ways, this last phase of corporatist managerialism may have hastened the rise of its antithesis, financialization. Not surprisingly, the 1970s and especially the 1980s saw an attempt to refocus strategy around the unitary business unit with specific competencies.

Positioning Strategy: The Impact of Michael Porter

The strategy academic who would lead the change toward the refocusing of strategy around the unitary business unit was Michael Porter. Porter took the rationalist and analytical apparatus of the design and planning schools and completely subverted it by introducing a new concentration on market logics and prescriptive strategy content. Porter achieved a genuinely transformational paradigm shift, successfully rebranding the discipline from "business policy" to "strategic management" or even just "strategy," one which has also been credited with establishing the field as a serious space for rigorous scholarly endeavor (McDonald 2017, pp. 414–415; Mintzberg 2004, p. 35). Indeed, one of the biggest critics of Porter's theories, Jay Barney (2011, p. 25), credits Porter with defining the academic field in several ways – he defined the "appropriate dependent variable" (and in the process shifted it toward quantitative analysis), with establishing theoretical frameworks, defining the correct unit of analysis, defining the role of social issues to the field, and generally with taking a field defined by loose and uncertain frameworks into a serious academic discipline but one still able to influence the work of managers. Further, Porter respectfully encouraged a conversation with his critics in the aim of more properly establishing the discipline (Barney 2011, pp. 30–31).

Like Christensen, Andrews, and Bower, Porter's scholarship emerged in the executive education dominated environment of HBS, where he completed an MBA in 1971. In redefining the field, he took inspiration from the field of industrial economics, or more properly "industrial organization," completing his PhD in Harvard's economics department under Professor Richard Caves, who was influenced by the work of Joe Bain (McDonald 2017, pp. 411–413). Differing starkly from authors such as Barnard, Selznick, Drucker, Penrose, and Chandler who took the organization as a starting point, Bain (1956) took a neoclassical black box view of the firm, assuming away the idea that they could internalize transactions, and saw markets as the main unit of analysis. Bain thence argued that in the long run, the return on capital in all sectors should converge, because excess profits in any one industry would naturally cause an inflow of capital and competition into it, bidding down prices as supply increased. Bain's interest was informing competition policy, to attempt to rectify monopolism in markets, but Porter was intellectually entrepreneurial, taking the idea back to HBS and reversing it (McDonald 2017, pp. 412–413). The essential direction of Porter's scholarship would be that the aim of firm strategy was to identify markets or positions within markets where the forces of competition were weak and then exploit them to generate monopoly rents. This elegant simplicity of purpose provided intellectual compatibility with the claim of Jensen and Meckling (1976) that firms were essentially legal fictions while proving extremely popular with HBS's practice focused students. This reconceptualization would allow Porter to eclipse the design and planning school scholars while adapting the "frameworks as tools" approach, both inside and outside the walls of HBS.

Porter's first "blockbuster" framework, generally known as the "Five Forces," first appeared in a *Harvard Business Review* article in 1979, essentially acting as a preview for his first major book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980), which centers around the concept, introducing it as early as page 4. This all-enveloping framework was designed to facilitate a structural analysis of a target industry to help strategists understand the fundamental characteristics which affected the supply and demand economics of the industry and thus to identify possible "defensible" and "offensive" strategies within that industry. The most important insight was to broaden the focus from simply thinking about the firms competing within an industry to more broadly factor in the impact of buyers, suppliers, and the threat of substitutes and barriers to potential new entry. Thus some industries, such as the provision of oil tankers, might be characterized by high buyer power as there were only a limited number of buyers (the large oil companies), while others, such as steel manufacturing, might see more acute competitive pressure from other industries producing a substitute product (Porter 1980, p. 6). This was not necessarily a new ground for strategy; both Drucker (1955, pp. 53–54) and Chandler (1962, pp. 9–11), for instance, have drawn attention to careful analysis of the industry and market structure, but Porter centered his thesis on it and avoided lengthy case studies, keeping real-world examples very pithy.

The second major framework introduced in *Competitive Strategy* was the three generic strategies (Porter 1980, pp. 35–44), a somewhat militaristic framework which claimed there were only three truly viable firm strategies, whether offensive or defensive – overall cost leadership, differentiation, and focus – any firm trying to mix them would fail in the long term, as it would be "stuck in the middle," unable to defend its position, and thus "almost guaranteed low profitability" (Porter 1980, p. 41). Thus the task of management was to decide how value could be created and exploited based around the cost and price interplay of the market and to occupy that part of the market by erecting mobility barriers such that no one else could compete. While the book goes into considerable detail as to how these competitive positions might be achieved, the character and structural rigidity of the organization itself are assumed away; it is assumed that everything a manager needs to do is achievable without any process of organizational statesmanship or broader thought around implementation using the resources of the firm itself. This is a consequence of the re-imagination of the firm as merely an economic person. The very empirical basis of the framework, which claims that only one firm can successfully hold each position in a given industry, has been attacked by Speed (1989, p. 10). Speed points out that Porter provides only two examples of the U-shaped relationship between market share and profitability that underpins the concept (1980, pp. 43–44), while D'Aveni (1994) claimed that companies would simply be unable to resist eroding the optimal positions of the generic strategies, leading to a destructive phenomenon known as "hypercompetition" in which any rents would be competed away.

Porter's second volume, *Competitive Advantage: Creating and Sustaining Superior Performance* (1985), continues in a similar vein and indeed repeats the five forces and generic strategies frameworks in the first few pages (1985, pp. 7, 12). What was new in the book was a deeper delve inside the firm in which Porter considered the organizational basis for competitive advantage, although this remained exclusively a matter of economic optimization. A new framework, the Value Chain (1985, pp. 46–47), was proposed which allowed for the analysis of industry and market to be extended to the economic configuration of activities inside the firm, with the proposition that economically alike activities and functions ought to be placed together to optimize the linkages between them, driving the firm's chosen generic strategy. Thus the firm-level implementation question left open by *Competitive Advantage* was answered, and a profound point was made around implementation – competitive advantage did not just come from the production activity of a firm but was a fully fledged project involving all functions and support activities, such as logistics, procurement, human resource management, and research and development (1985, pp. 113–115). This opened up the potential for outsourcing or economization outside of noncore activities, though again the assumption appears to be that these activities could be costlessly reshaped to meet the needs of the organization. By the mid-1980s, political leaders such as US President Ronald Reagan had picked up on the compatibility of Porter's ideas with the "neoliberal" project to make western economies more "competitive," appointing Porter to a President's Commission on Industrial Competitiveness in 1985 (McDonald 2017, p. 419). This created the opportunity for his vision to be further expanded through a third volume, *The Competitive Advantage of Nations* (1990). This book attempted to expand the unit of analysis to the national level, by introducing another new framework, "The Determinants of National Advantage" (often known as "Porter's diamond") (1990, p. 72), which became influential in the international business sub-discipline, essentially that a competitive and dynamic market within a country in a given industry would make it easier for firms from that country to establish a global competitive advantage in the same industry. For Porter, the world truly could be described in terms of neoclassical supply-demand economics.

The Porterian view of the world is one that is attractive to practitioners in the form of senior managers and policy-makers alike in that it offers a fairly straightforward and simple to understand set of prescriptions about the state of the world. Porter sets out his mission to go beyond the design school in offering strategy content in the introduction to *Competitive Strategy*, pointing out that the emphasis of formal strategic planning processes had been about asking questions of industry analysis in the right way, rather than answering them (1980, p. xxii). This he had certainly done while appropriating the formal mechanics of strategy. His "outside-in" approach, however, in borrowing from neoclassical economics, inherited the ahistorical assumption of the gnomic present (McCloskey 1998), building in the assumption that the past culture and heritage of a firm did not matter when setting its future direction. This assumption was challenged to some extent by the scholars of the resource-based view (Barney 1991; Dierickx and Cool 1989; Grant 1991; Prahalad and Hamel 1990; Wernerfelt 1984), who argued for a different version of competitive advantage – firm resources, both tangible and intangible, were valuable and inimitable since their exact configuration was impossible for others to replicate – Porter, of course seeking to set out an economically optimal configuration. Teece et al. (1997) would later seek to meld the two views together into a "dynamic capabilities" approach, suggesting that unique firm resources were themselves vital in building competitive advantage. Porter himself attempted to answer his critics in an article in which he claimed that "operational effectiveness is not strategy" (1996, p. 61), defending the idea that competitive advantage was achieved through a conscious process of value creation, not by falling back on resources inherent within the firm. His response was essentially that firms were not sticking to his prescriptions closely enough. None of this refocusing and consequential disciplinary narrowing of strategic management around the economic determinants of firm advantage would have developed without Porter's contribution.

Concluding Remarks

The history of strategic management into the 1980s and 1990s saw a narrowing of focus, from a managerialist paradigm of the manager as a "renaissance man" (and they were usually men) directing productive resources for societal and organizational good to a much tighter definition around the achievement of "sustained competitive advantage." This shift has encouraged the academic growth of the discipline, bringing it closer to economics, yet at the same time has made it more specific, ignoring the relationships between strategy and governance and strategy and leadership. It also to some extent echoed the growing sociopolitical interest in economic competition for its own sake after around 1975. This vision has been perpetuated and implanted into the consciousness of business people and perhaps to some extent mainstream culture not just by university teaching but also by management consultants (McKenna 2006), including Porter's own company, Monitor (McDonald 2017, p. 420). The work of Porter and the RBV scholars, in particular, has ironically given its militaristic antecedence, ceded the field of governance to the intellectually compatible sub-discipline headed by the "law and finance" view scholars (La Porta et al. 2000; La Porta and Lopez-De-Silanes 1998), while leadership has been taken over by a field of scholars following the work of Burns (1978) and Bass (1985). This narrowing has undoubtedly been problematic; it has led to a progressive and unreflexive denial that strategy involves power relations at all.

This is not to contest that thinking about market position and the unique creation of value is a desirable thing for business or indeed perhaps for not for profit contexts too – it clearly is, and it is important for managers to think carefully about what their organization can offer that others cannot. As so often with ideology, it is the extreme view that becomes damaging – the narrow focus upon competitive advantage and thence the creation of monopoly rents to the exclusion of all else. This approach is justified through the neoclassical economic belief that wealth created by firms would trickle down to all of society, but this is incompatible with Bain's original concern with the monopoly problem which was that monopolies appropriate excessive resources from consumers and thence society, as well as potentially stymying resources. This concern has to some extent been echoed by critical governance scholars arguing for a return to some form of managerialism (Lazonick 2013; Lazonick and O'Sullivan 2000; Stout 2002, 2012), who have pointed to increasing inequality in society since 1980 caused by an overconcentration on shareholder value. Severing the explicit link between strategy and governance first identified by Berle and Means in the 1930s has created the intellectual space for the strategic activities of managers to be subverted to this ideology. Focusing on one's core activities, for instance, creates the perfect justification for downsizing and outsourcing, both drivers of economic and thence political instability in the west.

One final caveat – despite the broader focus on the strategy of the organization and its role within society of Barnard, Selznick, Drucker, and Andrews, this has as a whole been a very narrow story. Space has to some extent precluded a broader treatment of other authors, but I have tried to deal with the authors that I consider the most important, particularly those who influence the pedagogy of strategic management most. This has been a very white, male, essentially paternalist and American story, with most of the protagonists based within the (north eastern) USA and a particular focus on HBS. It is clear that a more "gestalt" approach to strategic management is required, echoing the broad focus of the work of Drucker to some extent, rather than the narrow focus of Porter, but a twenty-first-century approach drawing upon a broader and more diverse range of perspectives could be more profitable for both organizations and society as we move forward.

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Chandler and the Visible Hand of Management

35

Kevin D. Tennent

Contents

Abstract

The work of Alfred D. Chandler Jr. (1918–2007) was undoubtedly path breaking as well as paradigm building. His corpus of work can claim foundational relevance to at least two separate subfields of the management studies discipline – strategic management, and management/business history, together with theory sets such as transaction cost economics and historical institutionalism. Chandler's career was profoundly important in building the management studies discipline in both theoretical and empirical terms, seeking to explain the rise of the "modern industrial enterprise," yet it requires understanding within its own historical context. Chandler's work remains resonant today, and this chapter aims to critically explore the implications of this phenomenon, both interrogating the affirmative impacts of his writing and the contemporary world it reflected as well as that of his critics.

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Alfred D. Chandler · Business history · Strategic management · Institutional theory · Managerialism

Introduction

The work of Alfred D. Chandler Jr. (1918–2007) was undoubtedly path breaking as well as paradigm building. His considerable corpus of work (Chandler 1954, 1956, 1962, 1977; Chandler and Daems 1979; Chandler and Hikino 1990) can claim foundational relevance to at least two separate subfields of the management studies discipline – strategic management (Mintzberg 1990; Mintzberg et al. 1998), and management/business history (Lamoreaux et al. 2004; Hannah 2009), as well as attracting more widespread attention for its impactfulness (The Economist 2009). Chandler's career, stretching from the 1950s to the early 2000s, was undoubtedly profoundly important in building the discipline in both theoretical and empirical terms, seeking as it did to explain the rise of the "modern industrial enterprise," yet in itself it requires understanding within its own historical context. The role of this section of the book is to explore the development of management theory and practice between c. 1940 and c. 1990, a period which might be considered, in North America, Western Europe, Australasia, and perhaps Japan at least, one of "high modernity" – or that period in which western business and thus managerial activity, operating as a powerful institution, essentially seemed to have completed its development. But a major function of modernity's Faustian Pact is its vulnerability to change (Berman 1982), and this period of hegemony, based around the modern industrial enterprise, seemed to ebb away, partly due to the re-assertion of financial capitalism and partly due to the rise of emerging markets where capitalism was often based around what Chandler might himself have termed "personal capitalism." Yet Chandler's work remains resonant today, and this chapter aims to critically explore the implications of this phenomenon, both interrogating the affirmative impacts of his writing and the contemporary world it reflected as well as that of his critics.

This chapter will therefore trace Chandler's career from the 1950s to the 1990s, critically evaluating the intellectual propositions and impact of his three major books, *Strategy and Structure* (1962)*, The Visible Hand* (1977), and *Scale and Scope* (1990), as well as the influence of his work with Alfred Sloan (1967), before considering some of the challenges to the primacy of his work that have emerged from strategic management scholars (Mintzberg 1990; Mintzberg et al. 1998; Chia and Holt 2009), business historians (John 1997; Langlois 2003, 2004; Lamoreaux et al. 2004; Hannah 2009), and critical management scholars (Cooke 2003; Cummings et al. 2017) alike. Yet, critically, Chandler's work remains influential, almost "hard wired" into business and management knowledge, and despite the emergence of whole new schools of thought, no new paradigm has succeeded in supplanting him or rendering his writing fully obsolete. Many social scientists (and perhaps some who would not consider themselves social scientists) continue to acknowledge his work, at least in a superficial sense – according to Google Scholar, at the time of writing *Strategy and Structure* has well over 20,000 citations, *The Visible Hand* more than 9,000 and *Scale and Scope* more than 7,000 though perhaps fewer today are intimately familiar with its contents. Some broader theoretical bodies of work owe Chandler a distinct intellectual debt, including transaction cost theory (Williamson 1981, 1989, 1998; Leiblein and Miller 2003; Jacobides and Winter 2005), institutional theory (Scott 2001; Thornton and Ocasio 2008), the resource-based view of strategy together with its descendent dynamic capabilities theory (Mahoney and Pandian 1992; Hart 1995; Teece et al. 1997; Teece 2007), and international business history (Wilkins 1970, 1988, 1989, 1998; Jones 2005; Tennent 2009).

Chandler began his academic career in the 1950s, earning his doctorate from Harvard in 1952, a formative period for the management studies discipline. The discipline as a whole was re-gaining respect within the American university, led by the Graduate School of Industrial Administration (GSIA) at the Carnegie Institute of Technology, in Pittsburgh, Pennsylvania, which began taking a social science research approach to the subject from the late 1940s, after a period in which the more established business schools at Harvard, Wharton, Stanford, and Columbia had experienced a "dark age," retrenching into narrow case study-based pedagogy (Mintzberg 2004, pp. 21–29). The more broadly based GSIA model, which drew from a range of subjects including economics, sociology, political science, psychology, and mathematics among others to create a concept of management studies as a "compound discipline," would be the one which two influential reports published by the Carnegie and Ford Foundations recommended propagating at the end of the 1950s (Mintzberg 2004; Khurana 2007, pp. 268–273; Cummings et al. 2017, pp. 9–12). Though Chandler was working within the history department at MIT, *Strategy and Structure* was ideally placed to satisfy the emerging market for management textbooks, and within this, the need for management to legitimate itself as a discipline with sufficient intellectual rigor to be taught within the research-intensive university. Cummings et al. (2017) identify *Strategy and Structure* as being the first of four key texts which performed this function by pointing to the "noble origins" of the field, the others being Pollard (1965), George (1968), and Wren (1972). These histories continue to be drawn upon by textbook writers including Bateman and Snell (2009) and Rue and Byars (2009) to form "chapter 2" histories which function to provide a brief (and perhaps triumphal) background of the origin of the field before progressing onto the more gnomic areas of knowledge (Cummings et al. 2017, pp. 10–11).

Chandler's intellectual influence is thus pervasive, not just in terms of the types of knowledge dealt with by researchers, but also in terms of shaping the knowledge assimilated by learners who go on to become practitioners. Chandler is deserving of his own chapter in this collection because as we will discover, his critics have identified that his work was subject to a degree of finalism (though one he gradually retreated from across his career), reflecting the concern of Cummings and Bridgman (2011) that our view of the past is often shaped by the concerns of our own time, rather than consisting of a purely empiricist operation. This foundational power reinforces Chandler's continued legacy and resonance, which takes on increased relevance if we are to understand the post-1945 period appropriately, given the emerging critiques that American managerialist practices and ideologies justified by "chapter 2 history" were weaponized during the cold war and thus formed a key element of the neo-colonialist discourse (Cooke et al. 2005a, b; Kelley et al. 2006; Genoe McLaren and Mills 2008; Spector 2006, 2008; Mollan 2018). Chandler's work continues to pervade the business and management history disciplines, but it has had a deeper political significance, being co-opted into a model of Americanized economic and managerialist development. Through its titular usurpation of Smith, Chandler's most conventionally empirical and chronological book *The Visible Hand* not only stakes history's claim to primacy in the management discipline but seeks to establish professional management as the driving force in the modern industrial economy, a model for all aspiring industrialisers to follow.

Chandler's dominance of the business history field chimed somewhat uncomfortably with me as a PhD student when I came into business history from a humanities history background in the mid-2000s. As a humanities historian schooled in the empiricist tradition of von Ranke (1973) and Elton (1978), and from a sphere in which historians tended to pick their own patch of temporal turf to occupy, the idea that history should be subjected to a broad, central unifying narrative that tied it to a theoretical paradigm seemed unsettling. Chandler's work seemed to me to be doing exactly what history should not do, set out presentist and finalist judgments about the past. Mysteriously empirical and yet nonempirical at once, Chandler's work is epistemologically and ontologically interesting as it provides a model of how theory might be built from history. The inherent danger in this, though, is that the historian might lose objectivity and begin to build history from the theory; something Chandler's critics have accused him of. But yet, as I eased my way into my PhD, I found that his work and the allied (and not subsidiary) work of Mira Wilkins provided an intellectual structure that I could attach my research onto and even attempt to refine in a modest way. This theoretical element gave me legitimacy in a physical space then contested with cliometrically driven economic historians. The enigmatic quality, at once finalist yet structurally malleable, of the Chandlerian paradigm surely makes it worthy of discussion in itself.

Positives About Chandler

The work of Alfred D. Chandler is infused with a wonderful logic, which permeates the design of the books. Each of the three books has a structure that allows it to be used flexibly, both as a history to be read through from start to finish and secondly as a reference book. Each paragraph is masterfully constructed, the first sentence often unlocking the supplementary information below. The first book, *Strategy and Structure*, is perhaps the most elegant in this pattern, setting out a series of general propositions around the development and growth of the large industrial enterprise which then dominated the American economic landscape, before laying out a basic history constructed by the use of secondary sources, then magnifying outwards into four comparative large scale case studies of American Corporations, based upon archival research – E. I. du Pont de Nemours & Co., General Motors Corporation, Standard Oil Company (New York), and Sears, Roebuck and Company. This is then wrapped by an analytical conclusion that consolidates together the theory which emerges from the four case studies, evaluating the emergence of the modern industrial enterprise as a capability building and consolidating organization based upon a cadre of professional managers, whose main role was the administrative coordination and planning of the enterprise. So powerful is this analysis, which extrapolates theoretical insights from the empirics, that Rowlinson et al. (2014, pp. 263–264) argue that it is an "exemplar" of analytically structured history, superseding the genre of "corporate history" because concepts are given importance over individual business entities. This was the core of the thesis of modern industrial enterprise which Chandler would then expand outwards in *The Visible Hand* by considering the longer term history of the modern industrial enterprise and how it rose in tandem with the profession of management. *Scale and Scope* eventually took this theme "global," seeking to cast the rise of the modern industrial enterprise and the profession of management as broader explainers of the fate of entire national economies. Chandler's vision does not stay exactly constant through these three volumes but rather evolves and refines his logic, introducing new theoretical constructs and also re-defining some concepts, probably inspired by the work of other historians as the business history field expanded. The extrapolation of theory from comparative archival research, thus establishing a basis for the comparison of otherwise esoteric case studies, was undoubtedly Chandler's biggest single methodological contribution to the business and management history field.

The most important theoretical contribution emerging from *Strategy and Structure* was that of the M-Form, or multidivisional, organization. A secondary, but interrelated, contribution was the differentiation between "strategic decisions," which were taken for the long-term health of the enterprise, and "tactical decisions" which were of day-to-day importance. Building on Chandler (1956), in which the contemporary popularity of the "de-centralized structure" among the 50 largest American industrial corporations had been established, the four firms studied in *Strategy and Structure* were chosen because they appeared to have innovated the multidivisional form of organization to administer the increasing scale and scope of their operations. As the corporations expanded to serve the rapidly industrializing and urbanizing American markets in the years between about 1870 and 1950, they both vertically and horizontally integrated, expanding vertically to gain access to raw materials and distribution channels, and horizontally to take advantage of opportunities for related diversification. This required an inter-related logical system of dispersed responsibility throughout the organization, which Chandler claimed his four main case studies had creatively innovated independently as required, without outside influence (3). Specialist administrators were required, who generally did not perform any "functional work" (9) who coordinated, planned, and appraised the work of those below them as well as allocating the resources of the firm to productive uses. Administrators themselves formed a hierarchy; the highest would often be involved in administering the work of other administrators, rather than having direct involvement with operations. The hierarchy divided into four units (9–11) – the

General Office which coordinated and administered major functions at the heart of the company, taking purely strategic decisions with regard to resource allocation. A series of *Division Central Offices* would sit below the *General Office*, having strategic control of functions relating to individual product lines. Below this sat the *Departmental Headquarters* which coordinated, appraised, and planned the activities of a number of *Field Units* which actually carried out the activities of the firm, be it manufacturing, retailing, or research, or even a support function such as engineering or accounting. Management in the *Field Units* was expected to be an almost entirely tactical concern taking place within the parameters and resource constrains set down by the *General Office.*

The identification of this hierarchical split led Chandler to the titular demarcation between *Strategy* and *Structure.* Room for strategy, and thus strategic design and planning, was created by the strategy/tactics split. Strategy, or the allocation of available resources towards the growth of the enterprise, was considered an "entrepreneurial" activity by Chandler, who considered it the economic (and perhaps societal) duty of such executives to take a long term outlook for their firms (12). Strategies for growth required implementation, which was supported by the "the design of organization through which the enterprise is administered." (14) Administration within the structure was the role of mere managers, who coordinated, appraised, and planned within the resources allocated to them. Thus, Chandler constructed a purely strategic history, differentiating his work from the later, more functionally orientated histories of Pollard, George, and Wren, which concerned themselves more closely with the management of operations and human resources within enterprises, rather than the enterprise as a whole. This created a domain for a business history which concerned itself with the history of whole enterprises and less so the functional knowledge within them. But perhaps even more influentially, by positing that structure must follow strategy for an enterprise to be successful Chandler played an important role in creating the emerging discipline of strategic management, complementing the work of Selznick (1957) who had already identified some notional ideas of policy implementation (Mintzberg 1990; Mintzberg et al. 1998). The focus on design perhaps influenced the ideas of Kenneth Andrews in the textbook most heavily associated with the design school, first published by a team of Harvard authors in 1965 (Christensen et al. 1978).

Other strategic management concepts appeared in *Strategy and Structure* in nascent form, notably elements of positioning school and resource-based view thinking, although prescriptive strategy content was not developed in the way that Porter (1979, 1980, 1985) would later develop it. By emphasizing the planning role of the *General Office*, Chandler had intellectually created the space for strategy, but also emphasized the role of the executive in allocating resources to the demands of the external market as driven by changes in customers, supply, technology, and actions of competitors, a sort of precursor of Porter's (1979) pervasive "Five Forces" framework. In a curious note tucked away at the very end of the book (453), Chandler claims that his findings relating to the diversification of firms across product and industry boundaries support those of Penrose (1959), which he admits he had not read until after he had completed his own manuscript. Penrose, however, was arguing something subtly different – she agreed in that managers drove growth, but this was an internal impulse based upon unique firm resources that provided the opportunity to exploit market imperfections, rather than a process designed by management to exploit market growth (Burgelman 1983, p. 62). Penrose's book directly inspired the resource-based view of strategic management (Mintzberg et al. 1998, pp. 276–278; Carter et al. 2008), which argues that competitive advantage evolves from the unique bundle of tangible and intangible resources and capabilities held by a firm (Wernerfelt 1984; Dierickx and Cool 1989; Prahalad and Hamel 1990; Grant 1991; Barney 1991). The resource-based view scholars generally ignored Chandler despite his evidence that firms combine tangible resources such as plants, machinery, offices, warehouses, and other marketing and purchasing facilities, sources of raw materials, research and engineering labs with the intangible, and most valuable "technical, marketing, and administrative skills of personnel" over time (14). Teece et al. (1997) in seeking to re-establish the linkage between internal and externally derived competencies cited both *Strategy and Structure* and the more recent *Scale and Scope*, as they sought to move the resource-based and positioning views closer together. Chandler had already identified that dynamic processes of resource adoption and adaptation were in play within the modern industrial enterprise, concluding that:

> If the need to use resources provided the dynamic force that changed structure and strategy, the nature of the investment in these resources helped to determine the course and direction of growth and of subsequent structural change. (384).

Professional managers were therefore the people best placed to understand the need to direct resources in a dynamic fashion as the economy changed and evolved; they were the people who oversaw the accumulation of resources, their rationalization where necessary, and their continued growth, a process considered critical within the modern post second industrial revolution economy.

Chandler's dynamic view of the history of the enterprise as a dynamic process resting upon the judgment of professional managers continued into *The Visible Hand.* This volume was more ambitious than *Strategy and Structure*, throwing the start date back to 1790, the very beginnings of recognizable modern industrial enterprise in the USA. Chandler aimed to usurp Smith's (1776) concept of the "invisible hand" of the market by demonstrating that while the market remained the generator of demand, it had since about 1840 lost its ability to coordinate supply to the very visible institution of managerial capitalism. Chandler felt that neoclassical economists had not dealt with the reasons for the existence of the corporation in sufficient detail, instead assuming it away as an aberration aiming to pursue the notion that enterprises existed only to pursue monopoly power and prevent perfect competition from taking its natural course (4). The book was essentially an exercise in die-hard transaction cost economics in the mold of Coase (1937), but with the refination that administrative coordination of the production and distribution process by salaried managers in itself had outstripped the savings from lower information and transactions costs. The internalization of many different business activities within a single enterprise under a managerial hierarchy had allowed for greater productivity, lower costs, and higher profits than mere market mechanisms allowed, and further, managerial promotion had come to be about training, experience and performance rather than kinship or money. The propositions of the book place further faith in managerialism, arguing that career managers preferred long-term stability and growth rather than aiming for short-term profitability (6–12). Chandler was moving closer to Berle and Means (1932) and Drucker (1946) in orientation, though Chandler's focus clearly remained on the economic domain, and he stops short of a Keynesian viewpoint, retaining a belief that the market would provide demand. Indeed, the concept of profit had entered the discussion much more visibly than in *Strategy and Structure*, as did the opportunities presented by the introduction of mass production and distribution in a sweeping narrative that took the reader through the development of the US railroads and manufacturing industry to reach the triumphal endpoint of the modern industrial corporation around 1920. In doing this Chandler had also provided one of the standard texts on the administrative development of the railroad and the distributive and retailing industries. While focusing on developments in the 1840–1920 era, there remained a confident sense that the book explained the rise of mid−/late twentieth-century modernity.

Chandler's final volume, *Scale and Scope,* very much represented the final affirmation and refination of both his theoretical and empirical contributions. It is also, perhaps, the most impressive in terms of academic scope, bringing a comparative angle to his discussion of managerial capitalism by considering the rise of the modern industrial enterprise in Britain and Germany also, processes characterized as being embodied by "personal capitalism" and "cooperative capitalism," respectively. As we will see in more depth below, this focus would prove controversial as the British were portrayed as relative losers in the development race, having failed to properly exploit the opportunities that a separation of ownership and control could open up, including the recruitment of professional managers and the development of advanced organizational capabilities required to compete in the second industrial revolution (12). Chandler's main theoretical nuances, some of which had been major themes throughout, were now more clearly signposted. Multiple use of a single asset or resource, which had previously been termed "economies of joint production," could now following Teece (1980) be rebranded as the more catchy "economies of scope" alongside "economies of scale." Economies arising from downstream vertical integration were now also repackaged into a "three-pronged investment in production, distribution and management," which were all necessary to ensure the success of the modern industrial corporation. Despite some acceptance of the possibility of the fallibility of corporations to financialized imperatives (11), managerial incompetence, or attempts to exploit their workforces, the book presents a kind of historically motivated recipe for success in business. All at once *Scale and Scope* is more about strategy content than its predecessors, but not quite in the prescriptive sense developed by Porter; it also demonstrates a commitment to comparative history and suggests that Chandler had moved closer to the economic and business history community that had embraced his chronologically oriented work.

Yet *Scale and Scope* also returned to *Strategy and Structure's* original proto-theorization around dynamic capabilities and seems to have decisively influenced the thinking of David Teece (1993), who wrote a length review essay of the book. The first section of the conclusion was devoted to "Organizational Dynamics as the Core Dynamic" (594), stressing that organizations had to create and maintain their own capabilities, which then provided both the source and dynamic for the continuing growth of the firm. A conscious process of maintenance was necessary if the organization was to avoid atrophy of skill and the depreciation of the physical plant – some of the earnings of the firm had to be pumped into maintaining this. Teece (1993) praised *Scale and Scope* for highlighting these nonmarket features of firms, thus contributing alongside the work of to an evolutionary theory of the firm overall, for instance, highlighting that the scale and scope economies of the second industrial revolution were not available to all, but only those with the organizational capabilities to take advantage of them, namely, the three prongs of investment in production, distribution, and management. Such expansion was also not limited to the size of the market, as neoclassical economics would assume, but by the administrative capabilities of the M-Form organization. For Teece et al. (1997) and Teece (2007, 2010), this belief that organizations would be able to use their capabilities to shape future market opportunities among as yet unforeseen economic disruptions would be crucial in his future work, which remains influential in strategic management.

Critiques

One of the most intriguing features of *Scale and Scope*, written right at the end of the period of study of this section of the Handbook (c. 1940–1990), was the very last few pages (621–628) of the conclusion, which give the distinct sense that even Alfred D. Chandler Jr. was forced to admit that the world he had documented and theorized with such Herculean effort had already started to ebb away. The modern industrial enterprise had, it seemed, enjoyed its heyday in the 1960s, not just in the US, but in Germany, Britain, and Japan (which had adopted managerial enterprise even more enthusiastically since 1945 than the west), though M-Form American firms had continued to dominate the scene; as late as 1973, 211 out of 401 non-Communist industrial enterprises employing more than 20,000 people globally had been US owned (19). Having attempted to explain the present through the past in 1962 and 1977, Chandler now retreated into history claiming that a historian was not in a good position to analyze or evaluate the unprecedented developments that he was at least in a position to diagnose. Corporations seemed to be unable to maintain their institutional power, partly because they were becoming themselves subject to a new "market for corporate control" in which they and their constituent parts were being sold on the open market, with many corporations buying new subsidiaries in industries that they had no capabilities to compete in. This process also seemed to be distancing the *General Office* from its divisional parts as portfolio managers asserted their power over corporations as stockholders, with the assumption that managerial specialism was not required for a firm to make a profit (621).

These new trends were symptomatic of a period where a new generation of academics and practitioners were attempting to overturn established orthodoxies around managerialism and the closely related orthodoxy of strategic planning. The turbulent environment of the 1960s and 1970s, characterized by the Cold War, the gradual slowdown of industrial growth in the west, and the challenge of decolonization in Africa and Asia threw up a series of events including the Vietnam War and the 1973 Oil Crisis which eroded confidence in the postwar consensus which had been based around rational economic and social planning, a related rational concept to managerial planning. The work of Henry Mintzberg (1978, 1990, 1994; Mintzberg and Waters 1985), who studied the actual implementation of strategies by organizations from the early 1970s onwards, actively started to challenge design and planning school notions of strategy by demonstrating that strategies could be *emergent* as well as *planned.* Mintzberg (1978, p. 935) directly compared Chandler's definition of strategy with those of game theory and military strategy, demonstrating that all had in common the assumptions that strategy was explicit, developed consciously and purposefully, and made in advance of the specific decisions to which it applied. Yet by focusing on the experiences of Volkswagen and the US state in the Vietnam War, Mintzberg was able to suggest that these things were not automatically interdependent, and that planning and strategy were not the same thing; indeed, all that strategy implied was a consistency, or pattern in decision making over time. For instance, in Vietnam, President Johnson had ended up being swept along by rapidly emerging environmental conditions to follow a pattern of escalation of the conflict through direct US intervention (involving 500,000 ground troops), despite the earlier stated and planned strategy set by President Kennedy to indirectly intervene by providing military advisors to the South Vietnamese (1978, pp. 938–941). But yet it would be difficult to argue that Johnson's actions in Vietnam were not strategic. Closer to Chandler's immediate world, General Electric's CEO Reginald Jones (1972–81) continued to place his company's faith in strategic planning, using an impressive range of techniques to plan the allocation of resources within the firm and maintain, devise, and revise its structure to support the allocation but yet suffered almost nonexistent growth in stock prices through the 1970s with declining profit/equity ratio, a stagnant state of affairs which legitimated the company's employment of the notoriously pro-shareholder value Jack Welch as Jones's successor (Mintzberg 1994, pp. 101–104). Essentially, Chandler had assumed that the modern industrial enterprise had the power to hold environmental conditions stable or perhaps even shape them, through the time interval between planning and realization. Further, as seemed to have happened in the General Electric case, planning could actually distract managers from opportunities for innovation that might arise from more creative approaches to implementation, or simply tie up managerial time that might be better spent elsewhere, and thus act as a break on effective strategic management.

In his concern with implementation, Mintzberg (1990) also raised questions about the link between strategy and structure, which lies at the heart of the Chandler (1962) thesis, though also forming part of a broader critique of the design school. This appeared to play on a contradiction within Chandler's own theorization which drew attention to the importance of managing resources and capabilities; Mintzberg (1990) essentially argued that assuming that managers could act freely, remolding firms into the M-Form did a disservice to the organization's existing capabilities, which were housed by its structure. Organizations were going concerns and could not delete the past, nor their existing capabilities – but claiming that these things could be remolded was tantamount to claiming that strategy must altogether take precedence over these existing capabilities. Mintzberg thus revised the theory to claim that strategy and structure had a symbiotic relationship, following each other "as the left foot follows the right in walking" (Mintzberg 1990). Burgelman (1983) had already proposed that strategy may at least in some cases follow structure, even suggesting that it did so in Chandler's own case data on du Pont, which seemed to suggest that multiple layers of the hierarchy were involved in re-organization, and that before re-organization the center of the firm had very little influence over strategic formulation, which resided with department heads. Indeed, parts of both Chandler's du Pont and General Motors case studies seemed to involve the management imposing structure post hoc to consolidate administrative control over diversifications that had already taken place to take advantage of opportunities in rapidly growing industries (91–113; 130–142). Chandler's theorization seemed to have been post hoc, the adoption of a new structure only putting the *General Office* at the center of strategy formulation after it had been put in place (Burgelman 1983, p. 63). Chandler had extrapolated his theory perhaps not from the experience of the re-organization itself, which was an attempt to catch up with the organizational chaos generated by the rapid growth of the firm, but the structure that had been put in place to impose order and attempt to contain future growth within the organization's boundaries. The real world is messy, and the revisionary approaches of Mintzberg and Burgelman illustrate that strategy formulation and implementation are not always distinct things; while Chandler does not go as far as Christensen et al. (1978) and Ansoff (1965) in prescribing a rational planning process, his extrapolation of one from his cases is subject to question.

An inter-related tendency was the drive away from managerialism towards shareholder value ideology, actively furthered by the Chicago School and their allies, which was happening even as Chandler was writing *The Visible Hand*. This perhaps reveals a further weakness in Chandler's work – the lack of any substantive engagement with questions of governance, purpose, and mission beyond the idea that the modern industrial corporation existed to build the economy. Indeed, some important intellectual legitimations of shareholder value ideology had already been published by 1977, perhaps most notably Jensen and Meckling (1976) who neatly sidestepped Coaseian theories of the firm by claiming that firms were a legal fiction-based nexus of contracts, the most important of which was that held with the stockholders. This rendered the boundaries of firms and indeed managerial authority irrelevant, and indeed Jensen and Meckling purported to demonstrate that managers in firms would always choose activities which suppressed the total value of the firm below that achievable if they were the sole owners (what Chandler would have described as the inferior form of personal capitalism). The high profile failure of the Penn Central Transportation Corporation, an unwieldy merger between two railroad companies in 1970, affected a broad sweep of sectors across the American economy and society. While it is undoubtedly true that the agency of American railroads to reallocate their resources to more profitable activities was heavily regulated by the Interstate Commerce Commission until the 1980 Staggers Act, revelations that personal differences between Penn's President, Chairman, and Finance Chairman had impeded decision making together with a record of unsuccessful diversifications outside of the rail industry brought the fallibility of professional managers as guardians of the nation's wealth into stark focus (Daughen and Binzen 1971). The ensuing rush for shareholder value as financial institutions and markets reasserted their primacy over the corporation, encouraging the stripping of assets, downsizing and offshoring of workforces, and the dismantlement of much of the managerial hierarchy of corporations (Lazonick and O'Sullivan 2000; Stout 2002, 2007), has unleashed a number of calls for a return to a broader managerialism in which the interests of a broader group of stakeholders are considered (Lazonick 2013; Stout 2012).

It is tempting therefore to see parallels between Chandler and other progressive managerialist authors, particularly the path breaking work of Berle and Means (1932), who initially drew attention to the domination of the American economy by large corporations and the resulting implications of the separation of ownership and control. Nevertheless, Berle and Means argued that if managers are to have the most powerful claim over the allocation of the firm's resources, then this implied a broader responsibility to society of the corporation which was as much a social mechanism as an economic one (Smith et al. 2018). Chandler avoids this, assuming the moral triumph of managers over the economy is to be taken for granted and complete, with the *General Office* having ultimate claim over the direction of the firm's resources, including the reinvestment of profit. Chandler was comfortable with this finality, but in his insistence that managers were heroic he misses the opportunity to interrogate the onset of financialization more closely in *Scale and Scope*. If the modern industrial enterprise was such a strong institution, why did it corrode away so readily?

Perhaps the answer lies within critiques that the rise of the modern industrial enterprise was not an economic phenomenon based on economies of scale and scope at all, but more of a sociological or institutional one. Thus, its existence was more of a mirage designed to legitimate American capitalism. Fligstein (1990, 2008) argues that Chandler's own evidence can simply be read another way. Chandler takes great pains to avoid the assertion that the growth of the firm was based on the exploitation of monopoly rights, but Fligstein (2008, pp. 247–248) points to contemporary testimony to characterize the vertical and horizontal merger wave between 1895 and 1904 as an attempt to preserve the possibilities of cartelization after the 1890 Sherman Act. Managers claimed to be combining firms because it would reduce competition, not because they would be able to exploit scale or scope economies to deliver better products to consumers. This mean firms were able to defend themselves on the basis of monopoly power, not efficiency; certainly high margins were generated through the creation of national or international scale firms, but this was the result of supply not demand side dynamics. Khurana (2007, pp. 27–28) shows that Chandler ignored two other important factors – firstly, the changing social order in the late nineteenth-century USA, which saw large scale increases in literacy as well as population growth and urbanization. Literacy meant there was suddenly a cadre of people with the clerical skills to carry out the planning, co-ordination, and monitoring of the work and performance of others. Secondly, Khurana drew on DiMaggio (1988, pp. 14–15) to show that the role of agency was important; corporations provided "institutional entrepreneurs" with an opportunity to build environments that they found amenable. Managers were seeking to create sympathetic conditions for the organizations that they were expanding, to the exclusion of alternative political, social, and cultural interests. Freeland (2001) shows that power contests were imperative in the evolution of the M-Form; in the case of General Motors, the structure was used by Alfred Sloan to maintain power over his subordinates by claiming that it protected them from DuPont's claims for more direct control over the company, while on the other hand allowing division heads to maintain operational power. Thus, the M-Form was at least as much about political compromise and the maintenance of goodwill in the hierarchy as it was about the administrative coordination of a multiproduct business.

Chandler appears guilty of (perhaps willfully) ignoring the political and social aspects of the growth of large corporations. This suited the weaponization of his work as an account of the socially benign forces of capitalism creating growth, together with opportunities to stabilize the middle classes through managerial jobs, within the Cold War context. The United States Information Service donated copies of *Strategy and Structure* to European universities (The University of York's (UK) copy has a 'donated by USIS' stamp inside the front cover), while the UK House of Commons held a copy in its library for the use of Members of Parliament (The British Library's present copy was transferred from the House of Commons Library, which had originally acquired it in 1968). If *Strategy and Structure* was politically influential, Cooke (2003) provides evidence of another political undertone in *The Visible Hand* – just a few years after the civil rights struggle, Chandler seemed to be ignoring or denying the possibility that modern management had emerged as a mechanism to control the 4 million slaves in the ante-bellum south, in the same period that railroads were supposedly bringing it into being. *The Visible Hand* featured three pages on slavery, conceding that at least 18,859 "overseers" had been employed on plantations in 1850 and that there was some evidence that plantation owners had needed "full-time assistance to carry out their managerial function" (65). Yet at the same time Chandler actively denied that the plantations fitted within modern industrial capitalism, defining them as "an ancient form of large scale production," because he claimed there was no meaningful separation of ownership and control, on the grounds that most plantations were smaller than New England's cotton mills in terms of labor force and that overseers were mainly concerned with the supervision of slaves rather than forward planning, while accounting was a task usually carried out by plantation owners (64–65). Cooke (1906–1910) provides evidence that considerable division of labor and sophisticated proto-Taylorist managerial activity using hierarchy, teamwork, and resource allocation through the agricultural cycle did exist on plantations, to the extent that slaves themselves may have been co-opted as lower-level managers. Even Chandler's figure of 18,859 “overseers” had been open to challenge; it was unclear why 1850 had been chosen, when Chandler’s own source, Scarborough (1966, p. 11), had shown that the number had more than doubled by 1860 – nor indeed did Chandler provide a comparative figure of overseers or managers for the railroads. It is hard to see how 18,859 “overseers” could have controlled 4 million people without considerable coordinative and administrative skill. The plantation industry and its use of slavery simply did not fit into Chandler’s finalist narrative, perhaps because it appeared to have ended with the civil war, or because it was intellectually incompatible with the idea of a benign, technically progressive modern capitalism.

Chandler’s progressive finality of vision opened up another line of critique emerging from the intellectual tradition that perhaps most closely derived its key ideas from his work. This was the broad sense that American economic development, and particularly the development of the heroic modern industrial enterprise within this paradigm, was in some way an inevitable driver of progress, a phenomenon Leslie Hannah (2009) has called “Hollywood History.” John (2008) identifies Chandler as a historian emerging from a particular American intellectual tradition of “progressive historians,” particularly Frederick Jackson Turner (1861–1932) and Charles A. Beard (1874–1948). Turner was a historian of the American West who drew attention to the importance of the expanding frontier for American economic development; his thesis claimed that the frontier’s expansion had absorbed the nation’s resources, and slowed the onset of modern industrial enterprise but had created the ingredients of a successful democracy. Chandler’s PhD supervisor had been Frederick Merk, a “loyal disciple” of Turner at Harvard, who introduced Chandler to the “frontier thesis,” which Chandler perpetuated to some extent, particularly in the claim that trans-Appalachian railways required managerial synthesis and that the eventual scattering of population in the west had impeded the growth of distribution networks to the extent that the corporations of the second industrial revolution were required to coordinate them (232–233). From Beard, as well as his great-grandfather Henry Varnum Poor, he took a disdain for financiers and investors, sensing that financiers had too short term an interest in an organization to invest its resources in building long-term competences (235–236). John argues that these influences made Chandler into a progressive in a similar mold to the New Dealers of the 1930s, and an endorser of Keynesian economics, as well as someone who had a genuine belief in the power of the human spirit, developing an interest in human capital towards the end of his career (238–239) and, despite the challenge of Mintzberg, retaining a faith in planning in his final two books *Inventing the Electronic Century* (2001) and *Shaping the Industrial Century* (2005).

Yet this commitment to progressive politics coupled with a distrust of finance may have led Chandler into the trap of writing what Lameroux et al. (2004), while criticizing the attempts of Langlois (2003, 2004) to envelop Chandler’s work into a broader neo-classical paradigm, have termed “Whiggish History.” Among historians, Chandler’s work on Britain in *Scale and Scope* has been especially controversial. Chandler essentially argued that British capitalism lost competitiveness in the long run because British firms did not invest sufficiently in renewing their capabilities, and further, because they were too small, only really separating ownership from control and generating anything approximating the M-Form too late, often in the post-World War II period (1990, pp. 389–392). Hannah (2009) presents compelling evidence that Chandler became less critical about his comparative perspectives, inadvertently bending the data to suit the narrative that British firms were less successful because they were less managerially advanced than their US and German counterparts. This was part of a broader agenda that saw personal or family capitalists (or indeed any nonmanagerial form) as archaic predecessors or even enemies of modernity, much in the same way as plantations in the Ante-Bellum South. Hannah does not disagree that Britain suffered an economic slowdown in the twentieth century and that British businessmen sometimes followed quite conservative strategies, especially where accounting standards were poor, mergers were often defensive, and traditionalist managers were often supported by complacent owning families (16–17). Yet it appeared that Chandler had ignored elements of the American and German stories that did not suit his endpoint, most notably elements of family or personal ownership, for instance, in the copper industry or the *Mittelstand* (19, 34), the persistence of some inefficient holding companies such as US Leather while devoting three pages to the British Calico Printers Association (33), and even glossing over the extremes of the fascist period in Germany after 1933 (35). Case studies of the copper industry and the tobacco industry were also used to show that Chandler overstated American dominance in these industries in the early years of the 1900s, characterizing Rio Tinto, the largest copper company in the world in 1900 as a family owned firm whose failure to invest in vertical integration (it owned its own smelting works in Spain as well as mining!) had locked the British out of copper forever (19–20). Rio Tinto had of course also persisted as a global leader where many of the American and German firms lionized by Chandler, such as Anaconda, had failed, despite the nationalization of its Spanish assets in the 1950s (21). Chandler had also underplayed the extent to which British companies had frustrated the attempts of James B. Duke to build a global tobacco empire, forcing his interests into a merger instead, known as British American Tobacco (22–30). A extremely skilled business historian himself, Hannah was adept at diagnosing Chandler's faults in constructing a comparative history, which concedes is a difficult thing to do, but the problem arose in that Chandler was still extrapolating theory from history but without testing it against larger samples of leading firms, as he had done in *Strategy and Structure.* This led him not just to be more subjective and thus distort his treatment of some industries, but also "led to grotesque missclassifications of supposed casual determinants" (32). Chandler was convinced that he had discovered the "magic ingredient" necessary to ensure not just sustained competitive advantage but the key to modernity and indeed economic growth itself.

Chandler's legacy to the business history discipline then was a double edged sword. At once his work gave it structure but also bound it to a progressive ideology that assumed economic growth based around the visible hand of management and large-scale industry was the normative mode of development. Even by the time that *Scale and Scope* (and perhaps even *The Visible Hand*) was published, it was clear this was not the case, but the weight of the Chandlerian paradigm crushed the potential for innovation and thus a more questioning attitude to the new paradigms of shareholder value and financialization out of the discipline. *The Visible Hand* blatantly closes off legitimate business history enquiry to earlier periods of business or family forms of it, or even to small and medium sized businesses, which are deemed to be "un-professional" or "un-modern." There is a sense that nothing is to be gained from studying other discourses or paradigms and an unquestioning uncritical attitude set in.

This leads to miscategeorizations and misunderstandings based around the Chandlerian and Williamsonian assumption that the boundaries of a firm are coterminous with its legal boundaries. Salient alternatives, such as network (n-form) and project forms (p-forms) of organization, have been marginalized in business history because it assumed that they do not have capabilities worth studying. This was exemplified by the controversy around Mira Wilkins' concept of the free-standing company (1986, 1988, 1998), a prolific category of British proto-multinational firm often developed by networks of businessmen, which, because they tended to invest in property- or project-based assets abroad and have a minimal headquarters which only seemed to satisfy the requirements of company law (Casson 1998), could not possibly develop recognizable strategic management capabilities. Yet this was not a disablement to companies which would arguably fit the free-standing label such as the New Zealand and Australia Land Company, which operated a chain of professionally managed sheep and cattle stations in Britain's Antipodean colonies from a small office in Edinburgh, vertically integrated into dairy manufacturing, and survived for 102 years, from 1866 to 1968 (Tennent 2009, 2013)! This confusion arose from Wilkins' Chandlerian quest to discover the origins of the contemporary multinational business landscape; because free-standing companies were now less visible, or had changed their strategies to avoid dual taxation (Mollan and Tennent 2015), she assumed they were a retrograde model of capitalism (Mollan 2018).

The P-form organization has suffered similar neglect; project management scholars note the relevance of Chandler's work in explaining the growth of the large corporation but are also in search of ways to break out of it to embrace the whole breadth and scope of project forms (Söderlund and Lenfle 2013). As Scranton (1998, 2014) notes, project forms and organizations can embrace a broad range of industrial settings, from the construction and transport to aerospace and shipbuilding sectors as well as in specialty manufacturing – and arguably constitute the "other side" of the second industrial revolution. Project management clearly lends itself to historical examination as well as each project has a different genesis and temporal development pathway yet clearly possesses relevant knowledge on process which can be transferred to other projects. Gillett and Tennent (2017) apply the concepts of Flyvbjerg (2014) and Morris and Geraldi (2011) to their Swarm model (Tennent and Gillett 2016, pp. 166–169), in order to explain why England hosted the 1966 FIFA World Cup, an enterprise which from the perspective of Chandlerian business history would appear unsuited or irrelevant to management analysis as a temporary, small scale event – yet elite sport is clearly a salient feature of modernity (Gillett and Tennent 2018), and surely requires analysis from the perspective of management history?

The theoretical dominance of Chandler over business history may therefore not just have impeded innovation but also have furthered the sense of isolation, referred to by Taylor et al. (2009), that the field has felt from other more "mainstream" management topics, such as strategy. Business historians have tended to rely on Chandler (and to a lesser extent Williamson) for theorization despite the development of newer theories in the strategy field, including the work of Mintzberg. This means that the scope of business history work for theoretical refination has been limited. For instance, Higgins and Toms (2011) carry out a systematic review of British Public Limited Companies between 1949 and 1984 to establish the extent to which the sustained competitive advantage (SCA) of British firms was determined by organizational structure, but despite successfully challenging Chandler by demonstrating the weakness of this link, they remain entirely within a Chandlerian paradigm, concluding that "structure follows strategy" (109). They flirt briefly with the work of Barney (1991) as an alternative theorization, accepting that the resource-based view might have relevance for their conceptualization of SCA, but do not pursue it, despite the opportunities it might open up for their analysis. Yet to genuinely challenge the work of Alfred D. Chandler, business historians surely need to find alternative, less teleological explanations of management phenomena in order to attain the sort of dual integrity required of contemporary historical organization studies (Maclean et al. 2016). The very strength of Chandler's work was that it attained this dual integrity within itself, by speaking to contemporary theoretical concerns at a time in which there was a demand for "chapter 2 history." This may partly explain why scholars in fields such as strategic management, transaction cost economics, and institutional theory have continued to cite Chandler (but perhaps not actually read him) while under-utilizing much of the output of more recent business historians.

Conclusion

The work of Alfred D. Chandler was monumental in scale and remains undoubtedly of critical import to this day. The danger, however, was that Chandler took a finalist approach to history, seeking to explain the success of his times and making the perhaps fatal mistake that more of the same was needed to sustain it. This was a whiggish history for a whiggish period of history, in which everything was growth. Decline happened to industries and firms that had failed to invest in scale, scope, and managerial capabilities and therefore was unmodern. Chandler had few answers to an economic decline perhaps already setting in the western world as he was writing. Certainly there was great uncertainty around the future direction of the US economy by the 1970s that led to calls for new forms of leadership to be brought forward (Spector 2014). This whiggishness, from which Chandler's work derives its theoretical import, is perhaps its very undoing also. The long-range field of historical enquiry spanning multiple periods together with the search for underlying theoretical structures in *The Visible Hand* perhaps invites comparisons to Braudel's *longue durée* approach (1972), which was controversial to many empiricist historians (Green and Troup 1999, p. 94), yet Braudel remained committed to understanding historical actors within their temporal and spatial contexts. Braudel, of course, did not seek to explain his present. Chandler fell into McCloskey's trap of gnomic presentism (1998), building a four-dimensional model of industrial growth rooted in 1962's context, based around the vectors of volume, geographic, functional, and product lines. This was a static model or at least one grounded in its context, a growing and globally hegemonic postwar economy, not in actuality suitable for all time. This gnomic mode of determinism casts doubt onto the theoretical half-life of Chandler's work, one of the foundational texts in the management studies discipline, because it may undermine the theoretical foundations upon which thousands of studies rely.

By 1990 and in the publication of *Scale and Scope,* Chandler had noted with bewilderment that the global economy, startled by the Japanese and South Korean challenge together with the oil crises of the 1970s and macroeconomic impact of the Chicago School, was no longer developing in the fashion described in his earlier books. In the introduction and conclusion of the book, he eschews conscious explanation of the present to a large extent, retreating into the history discipline, claiming that the history of the enterprise cannot explain its present as competition, both inter-company and inter-country had intensified (despite his defense of the Rhine model in *Scale and Scope*). Chandler's retreat into history as his ability to explain empirical reality diminished was intellectually damaging for the business and management history subject area it encouraged scholars to forget the powerful linkages made to some contemporarily important research areas, including institutional logics and dynamic capabilities thinking. These schools of thought were rising in the early 1990s yet clearly to some extent inspired by the arguments of *Scale and Scope*.

Yet the notion of the managerial enterprise may continue to hold some relevance in the early twenty-first-century era of entrepreneurship and firm building which rests on the internet and information technology. Some firms not even established at the time of Chandler have grown into perhaps neo-Chandlerian enterprises based apparently on the construction of managerial logics and capabilities with relatively little concern to distribute profits to their shareholders. As they grew through the late 2000s and into the 2010s expanding firms such as Amazon, Apple, Google, and Facebook seemed to prioritize long-term growth at the expense of shareholders and resisted overt financialization (though they do accept the outsourcing of capabilities). In periods of expansionism, the visible hand may have an important role to play. Chandler told us how capabilities were built and perhaps therefore how they might be built. Maintaining them when the process of expansion was ended was a different matter. Chandler's work may therefore have enduring relevance in the twenty-first century.

Cross-References

▶ The Age of Strategy: From Drucker and Design to Planning and Porter
▶ Debates Within Management History
▶ The Intellectual Origins of Postmodernism

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Industrial Relations in the "Golden Age" in the UK and the USA, 1945–1980

36

Jim Phillips

Contents

Abstract

The dominant interpretation of industrial relations in the UK and USA from 1945 to 1980 emphasizes the "power" of trade unions and manual workers, which narrowed the agency of employers and managers. This involves a linear "rise and fall" narrative, where stable economic growth provided trade unions with an advantage which they exploited and then squandered. Such narrative is shown in this chapter to be inaccurate. Many workers encountered substantial reversals in the 1950s and 1960s. The 1970s, by comparison, often characterized as beset by industrial and social chaos, was for many workers a decade of progress. Labor's bargaining power was constrained by deindustrialization from the late 1950s onward. The linear narrative of general improvement is further qualified by the experiences of female and ethnic minority employees, who struggled to secure justice in the workplace. Class also remained a key fault line. Collective bargaining was retarded in most manual and many white-collar settings by employer objections to sharing control over the organization of work. Business power, not union power, was the chief characteristic of industrial relations in both the USA and the UK from 1945 to 1980.

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Keywords

Industrial relations · Deindustrialization · Trade unions · Business power

"Industrial relations" has a variety of meanings and applications. In this chapter it is used to analyze two sets of relationships: those in the workplace, between employers and workers, and those within the broader realm of collective bargaining, where the wages and conditions of work were negotiated, generally between employers and the union representatives of employees, although state officials and government ministers were often involved too.

The chapter focuses on the UK and USA from 1945 to 1980. In each country industrial relations were dynamic and sometimes conflictual. The chapter takes issue with the dominant interpretation of industrial relations in this period in both historical literature and popular or politicized memory. This interpretation emphasizes the "power" of trade unions and manual workers, which supposedly narrowed the agency of employers and managers. It relies on a linear "rise and fall" narrative, where the unusual contingencies of the "golden age" of stable economic growth provided trade unions with an advantage which they exploited and then squandered. The "rise" from the 1940s to the 1970s of entrenched collective bargaining, stable employment, economic security, and growing real wages was followed in the 1980s and 1990s by the "fall" of declining union influence, lost industrial jobs, and employment precariousness (Phelps Brown 1986, pp. 1–23, 151–97). Such narrative is shown in this chapter to be inaccurate. Within a general pattern of economic improvement, many workers encountered substantial reversals in the 1950s and 1960s. The 1970s, by comparison, often characterized by "establishment" journalists and anti-trade union politicians as beset by industrial and social chaos (Marr 2008, pp. 337–40, 373–7; Thatcher 1995, pp. 397–403, 419–30), was for many workers a decade of welcome progress. The experiences of coal miners in the UK illustrate this alternative interpretation. They lost ground with their industry's contraction in the 1950s and 1960s but regained it in the 1970s through concerted activism and coal's improving competitive position in energy markets. In the 1980s miners then encountered a second and more profound reverse, targeted by a hostile UK government for political and industrial obliteration in the 1980s (Arnold 2016).

The chapter sets out the analysis of industrial relations in three parts. First, there is an examination of developments in the economy, where labor's bargaining power was ostensibly strengthened by high levels of employment. In both the UK and the USA, there was substantial growth of real wages in the 1950s and 1960s. This was attained through union-negotiated improvements in pay, but progress was punctured by the periodically fractious nature of industrial relations. Strikes and other forms of industrial protest drew much political attention. Narratives of industrial decline developed in the UK, linking the falling share of global manufacturing and comparatively slow growth in international terms in the UK and USA with allegedly high levels of industrial unrest (Joseph 1975). There were similar critiques in the USA, accompanied by hostile Cold War claims that trade unions were unpatriotic and even traitorous (Faue 2018, pp. 123–29). The emphasis on decline was, however, highly problematic and in more recent literature has been challenged by accounts that emphasize an alternative meta-narrative of deindustrialization. This was a major destabilizing factor in industrial relations in both countries from the 1950s onward, as the case of the UK miners indicates, belying the linear narrative of progress for all.

In the second part of the chapter, the impact on industrial relations of social change is examined, focusing on gender and race. Developments in these areas further qualify the linear progress narrative. One criticism of collective bargaining is that unions privileged their disproportionately white and male members in manual sectors. It would be unfair, however, and probably wrong, to portray unions in either the USA or the UK as institutionally racist and sexist. Women and minority workers were often highly critical of their unions, but positive improvements were secured through many collective actions that were designed to equip female and ethnic minority employees with greater justice in the workplace.

Class remained a key fault line, as the third and final section of the chapter demonstrates, exploring power and authority in workplaces. In the UK members of the Amalgamated Engineering Union wore badges – "buttons" in US vocabulary – bearing the three words "EDUCATE, ORGANISE, CONTROL." The latter, arguably, was the keynote in many workplaces. Collective bargaining was retarded in most manual and many white-collar settings by employer objections to sharing control over the organization of work. In the USA employers seeking to strengthen such control lobbied for an increase in the "right to work," a euphemism for the enforcement of non-union contracts with their employees. In the UK, in similar vein, employers resisted the introduction of union-channel worker directors in large manufacturing companies. In each country employers worked hard to prevent a broadening of the collective bargaining agenda, compelling unions to focus their bargaining effort on wages and other contractual issues.

Economy

In the golden age that followed the Second World War, there was stable economic growth in most advanced industrial countries, the UK and USA included. In the UK real wages grew at an annual average rate of 2.7 per cent from 1951 to 1973, meaning that living standards grew by almost 50 per cent in these 22 years (Gazely 2014, p. 153). In the USA real wages increased even faster, by 70 per cent from 1950 to 1970 (Zieger 1994, p. 138). Unemployment was measured in different ways in the USA and the UK, and precision in its measurement is difficult to establish. But by any measure it was historically low in each economy, although slowly growing before a marked acceleration from around 1980. In the UK out-of-work benefit-claimants represented less than 3 per cent of the economically active throughout the 1950s and 1960s, rising to between 4 and 6 per cent in the 1970s. In the new economic environment of the 1980s, this measure of unemployment jumped and was rarely below ten per cent per annum (Tomlinson 2017, p. 146). The same pattern was observable in the USA, where unemployment from 1950 to 1969 averaged 4.8 per cent per annum but 6.7 per cent per annum from 1970 to 1993 (French 1997, p. 83).

Real wage improvements in the 1950s and 1960s resulted from trade union activism. In the USA "workplace contractualism" was embedded in many industrial sectors. Industrial relations were rules-based and predictable. Jobs were defined in writing, with corresponding wage rates negotiated and agreed. There were grievance procedures for either party to follow where disagreements arose. This stability suited employers and managers, as did the related spread of so-called pattern bargaining in automobile manufacturing, steel, coal mining, meat processing, rubber, electrical products, oil, and trucking. Pattern bargaining within a sector involved small- and medium-sized enterprises adopting the wages and conditions agreed by managers and union negotiators in leading firms. The economies of scale and reduced opportunity costs associated with this patterning suited labor representatives as well as employers (French 1997, pp. 98–99). Agreements in various industries followed the precedent established in automobile manufacturing, with cost of living agreements and annual improvement factors (Zieger 1994, pp. 147–48).

In the UK industrial relations were less predictable in the 1950s and 1960s. Harold Wilson's Labour government elected in 1964 was concerned that instability in this area was damaging economic performance more broadly and established the Royal Commission on Trade Unions and Employers' Associations, chaired by Lord Donovan, an English high court judge. This concluded in 1968 that prolonged low unemployment had moved pay bargaining from industry level to workplace level. Inflationary pressures had developed because local deals often supplemented national agreements and were sometimes established only after unofficial strikes. Stronger workplace union organization was needed along with greater education to help employees understand the harmful aggregate effects of frequent stoppages (Ackers 2014). Business organizations and the Conservative opposition disagreed with Donovan's emphasis on voluntary reforms, favoring statutory enforcement of agreements between employers and unions and making unofficial strikes illegal. The Labour government was pushed into proposing fines for unofficial strikers, membership ballots before official strikes, and government-imposed solutions to inter-union disputes that intermittently disrupted production, particularly in motor manufacturing. The relationship between the Labour Party and the trade unions in the UK was close. Unions helped to fund the party. This invited accusations that Labour was "controlled" by the unions. In fact the relationship between party and unions was more subtle than its critics admitted. A set of informal "rules" applied, meaning that unions rarely intervened in questions of Labour government policy where this did not directly bear on matters of employment. The draft reform of industrial relations breached these rules, however, encroaching on what unions considered to be their domain (Minkin 1992, pp. 114–16). Unions duly mobilized against the proposals, which were dropped. The issue of industrial relations had nevertheless become highly politicized (Smith 2011).

This politicization reflected a significant turn in debates about economic life in the 1950s and the 1960s. Despite rising living standards, the dominant tone emphasized regression. Growth was faster in other advanced economies, notably the Federal

Republic of Germany (FRG) and Italy. A political preoccupation with decline emerged in the UK, permeating and even dominating historical literature on economic life from the 1960s until well into the twenty-first century. The decline narrative was central to the election and governance of Margaret Thatcher, who became Prime Minister of the UK in 1979. A parallel discourse developed in the USA, with faithful adherents among followers of Ronald Reagan, elected in 1980 as President. "Declinism" encompassed significant blame apportionment. Social democratic policy-makers and consensus-seeking managers and business leaders attracted much criticism, but those deemed especially culpable were trade unionists and manual workers, who allegedly exploited unusually favorable labor market conditions to obtain wage increases that were not accompanied by commensurate productivity increases. This was a core tenet of the linear industrial relations narrative, shaping changes in the law instituted in the USA and UK in the 1980s to limit union freedoms, but it was based on an exaggerated reading of worker behavior, including the scale and impact of strikes. Annual average working days lost to strikes per thousand employees in the USA and the UK are midrange in the table of mature economies from the 1950s to the 1980s, higher than in the FRG but significantly lower than in Italy (van der Velden 2016), where economic growth and industrial production were expanding rapidly (Pizzolato 2013a, pp. 47–58).

These broader comparisons underline the growing impression that the emphasis on decline was and is misdirection. A more meaningful framework for understanding economic developments in both the UK and the USA is deindustrialization (Tomlinson 2016). In each of these national economies, there was a gradual move away from "traditional" industries – coal, metals, shipbuilding, and textiles – from the late 1950s onward, and into lighter manufacturing, with an emphasis on higher value-added consumer goods along with services which were seen as promoting faster growth. Coal miners in Kentucky migrated north in the 1950s to work in the consumer goods factories of Chicago, Cleveland, Columbus, and Detroit (Portelli 2011, pp. 255–59). In the UK economic restructuring was managed at central government level. In Scotland employment in coal mining was reduced from a post-1945 peak of 86,000 in 1957 to 36,000 in 1967, at least in part to release workers for deployment in other sectors (Phillips 2013).

This shift in the distribution of employment greatly qualifies the linear narrative. The economic leverage of coal miners in the UK was diminished and only retrieved from the late 1960s. Various factors were involved in the miners' fightback, but the emergence of a new generation of union leaders was important. Determined action in pursuit of wages included large-scale unofficial strikes in 1969 and 1970 in Scotland, Yorkshire, and South Wales. This activism then produced national strikes across the UK coalfields in 1972 and 1974 that went some way to restoring the relative position of miners' wages in the "league table" of manual workers, which had fallen significantly as a result of deindustrialization. By the late 1960s, miners on average were earning 50 per cent less than workers employed in car assembly. It was this broader question, the fall in coal industry employment, which underpinned the miners' mobilization. In Scotland the miners also secured a marked stabilization of employment from the late 1960s until the late 1970s, helped by the sudden escalation in the price of oil, coal's main competitor (Phillips 2017). After cruel fortunes in the "high" golden age decades of the 1950s and the 1960s, coal miners in the UK duly experienced the 1970s as a period of optimism. Strong hopes for a better future were then confounded by large-scale pit closures and mass redundancies following defeat in the great but doomed strike for jobs in 1984–1985 (Arnold 2016).

Industrial change contributed to similar fluctuations in the USA. An instructive case is the Radio Corporation of America (RCA), which incrementally shifted manufacture of radio transmitters and receivers from Camden, New Jersey, in search of cheaper labor. In 1940 production of receiving equipment was transferred west, to a giant facility at Bloomington, Indiana, where in the early 1960s wage rates in electrical work were still 13 per cent below the US average. RCA was among hundreds of manufacturing firms that relocated across state and then international frontiers during the golden age. In RCA "green" workers in newly industrialized territories gradually acquired class consciousness from their engagement in assembly line manufacturing. Labor conditions were duly bargained upward over time, sometimes after recurrent strike action. But the linear narrative of progress is again qualified. Where workers gained enough organizational capacity to win a greater share of the value created by their labor, a further movement of capital often ensued. RCA retained a presence in Indiana but shifted a growing share of production to Memphis, Tennessee, in 1957 and then, from 1964, to Ciudad Juárez, just south of the international frontier in Mexico (Cowie 1999).

These developments were part of a broader trend, encouraged by "boosterism" in US southern and western "sunrise" states, where policy-makers sought economic diversification. Inward investment by industrial employers was stimulated by "business-friendly" measures such as low-tax incentives plus "right-to-work" laws. These made provision for the employment of non-union members, even in unionized workplaces. This accelerated deindustrialization in northern and eastern states and consolidated the southward and westward regional redistribution of industry. The process has been characterized as the "Dixification of America," with workers in the north and east obliged to temper their wage demands for fear of losing employment to start-up businesses in the south (Cummings 1998). Meat-packing in Chicago exemplified these trends, with job insecurity and falling real wages becoming the new labor "normal" for workers in Packingtown from the late 1950s onward as leading firms in the sector moved operations west and south (Halpern 1997). Dixification contributed to the loss of union membership across the USA. Among the nonfarm workforce, trade union density – union members as a portion of all employees – decreased after the Second World War from a 1945 peak of 35.5 per cent to 31.4 per cent in 1960. Union density then dropped to 27.4 per cent in 1970 and 24.7 per cent in 1980 (French 1997, pp. 94–5).

In the UK union density was jeopardized by deindustrialization. Employment in manufacturing peaked in the late 1960s, although in foreign-owned factories in Scotland not until 1975 (Hood and Young 1982, pp. 5–6, 30–7). At Timex in Dundee, the US-owned producer of watches and then sub-assembly electronics, average employment fell from over 6000 in 1975 to 4000 in 1982 before falling away to 2000 in 1983, 1000 in 1985, and 500 in 1991 before eventual closure in

1993 (Knox and McKinlay 2011). Union density across the UK nevertheless stabilized and then actually increased, exceeding 50 per cent only after the peak of industrial employment, around 1970, and rising to 54.5 per cent by 1980. Growth reflected a recruitment effort undertaken among tertiary sector workers, especially those in public services, meaning that union membership was growing faster among female than male employees. Union density among women workers rose from 31.2 per cent in 1970 to 39.9 per cent in 1980 (Wrigley 2002, pp. 18–19). This effort had lasting effects. In 2018 in the UK, union density overall was only around 23 per cent, but among public sector workers, it was just over 51 per cent (Roper 2018). Women and public sector workers in the 1970s were seeking union protection against government counter-inflationary pay controls which they considered unjust, especially when set against less restrictive measures on dividends and profits (Tomlinson 2017, pp. 189–90). The public sector was also the fastest area of union growth in the USA in the 1960s and 1970s. Female and ethnic minority employees likewise attained a greater share of overall membership. There was continued expansion of female union membership in private sector manufacturing too. Forty per cent of employees in the US automobile industry were women by the 1970s. Members of the United Automobile Workers (UAW) were central to the establishment of the Coalition of Labor Union Women in 1973, which promoted female voice in the labor movement (Faue 2018, pp. 146–48, 158–60).

Society

The growth of female union membership in the UK signaled the presence in industrial relations of broader social movements, where identities of race and gender intersected with class. Trade unions in both the USA and the UK are sometimes understood as being indifferent or even hostile to the interests of female and black workers. But unions were dynamic, slowly accommodating the interests of African Americans in the USA and African Caribbean, African, and Asian immigrants in the UK (Lunn 1999). Industrial bargaining was an important element in reducing inequalities of gender as well as race, perhaps having a greater impact even than the policy-based civil rights agenda which developed impetus in the 1960s. This tended to privilege individual rights, and the "equal pay for equal work" model, ignoring the structural barriers confronting women and minority workers collectively (Cowie 2010, pp. 68–72).

Racism was a major problem in the UK from the 1950s to the 1970s. Authoritative studies in the late 1960s illuminated the discrimination encountered by workers from African Caribbean, African, and South Asian immigrant traditions. African Caribbean workers often found themselves in employment of lower status than their pre-migration education and experience warranted (Daniel 1968). South Asian workers also faced entrenched difficulties. An illuminating case is that of Sikh bus drivers in the English Midlands city of Wolverhampton. One of these workers in 1967 was sent home for wearing a turban, contravening a dress code agreed by the employer and the local trade union. The driver was supported by other Sikhs. Local

Transport and General Workers' Union (TGWU) officials and non-Sikh colleagues were initially unsympathetic. Sikh community leaders and Labour Party members pushed the TGWU to support a lengthy community-based campaign that eventually produced a change of policy in 1969, allowing bus company employees to wear turbans while on duty. The victimized bus driver had relatives who worked at the large Goodyear tyre factory in Wolverhampton. Their mobilization of factory workmates intensified the campaign (Seifert and Hambler 2016).

The confluence of class and community in labor struggles was frequently evident also in the USA. The broader dynamics of social change and the emergent civil rights agenda were prominent too. African Americans were plainly discriminated against in the labor market. Unemployment among black men averaged 8.5 per cent per annum and among black women averaged 8.8 per cent between 1950 and 1969, almost twice the whole economy average (French 1997, p. 83). African Americans in employment also tended to occupy lower-status positions. Labor organization coalesced with civil rights activism to fight against this injustice. A key episode was the 1968 action by sanitation workers in Memphis. Garbage in the city was collected more or less entirely by African American male workers, who sought alleviation of dangerous and dehumanizing conditions through Local 133 of the American Federation of State, County and Municipal Employees (AFSCME). The authorities, marshaled by the mayor of Memphis, Henry Loeb, refused to recognize the union. Two workers were killed in February 1968, crushed when sheltering inside a garbage truck during torrential rain. About 1300 sanitation workers responded by pushing the AFSCME into citywide strike action. Pickets demonstrated with placards stating "I AM A MAN," these words freighted with enormous meaning in southern US society emerging fitfully and violently from racial segregation. The strikers were supported by the National Association for the Advancement of Coloured People and the Southern Christian Leadership Conference, including its president, Dr. Martin Luther King Jr., who addressed three separate strike rallies. On 3 April Dr. King delivered one of his best-known speeches, "I have been to the Mountaintop," at one of these rallies, to a big crowd of strikers, trade unionists, and civil rights activists. He was assassinated in Memphis by a white supremacist sniper the following evening. Mayor Loeb had declared the strike illegal, but the city's position shifted because of the furious uprising of African American youth that followed Dr. King's murder. Union recognition was conceded, and further struggles by the garbage collectors produced significant improvements in wages and working conditions (Cosgrove 2017, pp. 39–47, 98–100, 161).

The flavor of social justice combined with the politics of class and race was also evident in the waterfront activism of dock workers in San Francisco from the 1950s to the 1970s. Local 10 of the International Longshore and Warehouse Union (ILWU) showcased the determination of African American workers to improve their position through collective action and defend the rights of other exploited black workers. Paul Robeson, the African American singer, union campaigner, and civil rights activist, was an honorary member of Local 10, and so was Dr. King. Action included expressions of international solidarity. The Local organized recurrent boycotts of ships carrying goods from and to South Africa. These raised awareness about the racist nature of the Apartheid regime. Black trade unionists in South Africa drew moral strength from these boycotts and communicated their thanks to the San Francisco longshoremen. This transmission of international solidarity was two-way, with the San Francisco workers further emboldened to act in defense of themselves and others by contacts with their union brothers in South Africa. Local 10 maintained boycotts of South African ships in the 1980s. In 1978 it also refused to load military equipment onto a vessel bound for Chile, where the military dictator Augusto Pinochet had killed thousands of trade unionists along with communists, socialists, liberals, and other opponents since seizing power in 1973 (Cole 2013).

Movements involving the intersection of class with gender were likewise increasingly observable from the 1960s. A notable point of departure in the UK was the 3-week strike at the Ford car plant in Dagenham, Essex, by 187 female sewing machinists in the summer of 1968. Their action was joined by 195 female sewing machinists at Ford's other major works in England, Halewood, Merseyside, and led to the temporary laying-off of 9000 or so other workers across the company (Torode 1968). Union representatives constructed the sewing machinists' grievances in gender and equal pay terms, in negotiations with Ford and then, as the action gradually shut down the entire plant, with Barbara Castle, the Labour government's secretary of state for employment. But for the machinists, gender pay inequality was not the real issue. They were disputing their pay-grading in class terms by calling for a recalibration exercise, seeking acknowledgment of the skill and value embedded in their work. The interpretation of their demands in the language of equal pay obscured the class connotations of the dispute, as the women challenged the authority of their multinational employer by calling its occupational grading scheme into question (Cohen 2012).

The legal environment changed after the Ford strike in the UK. Castle introduced the 1970 Equal Pay Act, and this was followed in 1975 by the Sex Discrimination Act. The shifting legal terrain was illustrated by a further important dispute involving female employees in car manufacturing. Trico Folberth was a US multinational, producing windscreen wipers and other accessories in Brentford, West London. Castle's legislative pursuit of equal pay for equal work was complicated by practices in most workplaces that made it difficult to compare the value of different tasks undertaken by female and male employees. At Trico men generally worked on nightshifts and women on day shifts. But after short notice cancellation of a night shift in the spring of 1976, a small number of men were redeployed on day shift. This exposed the injustice of the firm's rewards system to the 400 women who worked in the factory. After a strike lasting 21 weeks, they won equal pay on the basis of the illegitimacy and possible illegality of their employer's practices under the Equal Pay and Sex Discrimination Acts (Groves and Merritt 2018). Wider economic and social factors influenced this positive outcome. As with the sewing machinists' action at Ford in 1968, the strike of the Trico women interrupted a complex supply chain, triggering a wider cessation of production which placed their employer in a difficult position. And as with Ford, the Trico strike was founded on a strong sense of working class consciousness: the women were demanding equality of treatment as workers (Stevenson 2016).

The Trico strike overlapped with a longer dispute at the Grunwick photo-processing plant just several miles to the north in London's outer urban-industrial belt. A large majority of Grunwick's 450 workers were women of South Asian origin. Earnings across the Grunwick workforce were well below the London average rates for manual employment. The action started as a protest in the hot summer of 1976 against compulsory overtime and morphed into a 2-year campaign for union recognition. The strikers did not win their case, and most were sacked. The strike was important nevertheless in signaling the greater confluence in industrial relations of race, gender, and class. Like the Sikh bus drivers' action in Wolverhampton, the Grunwick strikers challenged the union movement to pursue workplace justice for all workers, irrespective of ethnic and racial origin (McDowell et al. 2014). They also challenged the gender and class authority of their male employer, demanding greater voice in the workplace. There were also periodic picket-line confrontations as a replacement workforce was bussed through a blockade mounted by the sacked Grunwick employees and their trade unionist supporters from many other workplaces, including coal miners from Scotland and South Wales as well as Yorkshire (McGowan 2008).

The Grunwick strike, incubating tensions of class and social authority, duly contributed to the further politicization of industrial relations in the UK, strengthening the emergent Thatcherite anti-union narrative. Legal and policy changes followed in the 1980s, designed to curtail union privileges and restore the "right of management to manage" (Dorey 2014). The anti-union narrative developed traction during the 1978–1979 "Winter of Discontent," when the Labour government's anti-inflationary strategy of wage controls was challenged by strikes involving manual workers in public services and private sector manufacturing. Hostile critiques of workers and unions developed "in real time" and were central to the election of Thatcher's Conservative government in May 1979. Forgotten in this dominant anti-union narrative is the extreme low pay which public sector employees, many of them women, were seeking to improve (Martin 2009). Thatcherites unjustly "othered" the low paid as a subversive and illegitimate menace to society and wilfully exaggerated the impact of their strikes (Hay 2015).

There was a parallel rise of anti-union politics in the USA in the 1970s. This involved lobbying organizations like Business Roundtable, founded in 1972, claiming that workers' pay demands were the main source of inflation and economic slowdown. Democrats in the House of Representatives and Senate attempted to introduce a Full Employment Bill in the mid-1970s. One of its advocates, Representative Augustus Hawkins of California, an African American, argued that civil rights were meaningless unless accompanied by the right to work. It was the duty of the Federal government to provide citizens with employment where the market failed to do so. The Bill was remorselessly criticized by business campaigners and orthodox financial thinkers, including Alan Greenspan, future head of the US Federal Reserve and then chair of the President's Council of Economic Advisers. Legislation eventually passed in 1978 was an expression of aspiration rather than a concrete economic and social project. Instead, greater labor market discipline was accepted as the central policy goal by both Republicans and Democrats. De-recognition of unions was called for, and the movement of capital to union-free labor markets in southern states was further promoted (Cowie 2010, pp. 224–36, 266–84). The process intensified with the election of Reagan as President in 1980, which was followed by a nationwide strike of 13,000 air traffic controllers in 1981. Their union, the Professional Air Traffic Controllers Organization, was ostracized from the civil aviation industry, and the strikers barred for life from future federal employment (Zieger 1994, pp. 194–98).

Workplaces and Authority

The anti-union activism of Business Roundtable in the USA qualified the linear progress narrative. It was also a reminder of the structural influence of class conflict on industrial relations. The English sociologist Alan Fox examined this question in a research paper for the Donovan Royal Commission in 1966. Fox argued that perceptions of industrial relations were shaped by the frame of reference adopted. Most employers and mangers rejected a pluralist conceptualization of their firms as coalitions of competing interests. They saw businesses instead in unitary terms, with members bound by shared values and goals. The participation of employers in collective bargaining was compatible with their unitary frame of reference because of a vital distinction between *market relations*, defined by Fox as the "terms and conditions on which labour is hired," and *managerial relations*, "what management seeks to do with its labour having hired it." Employers generally accepted the legitimacy of settling market relations collectively rather than individually but still opposed trade union influence in managerial relations (Fox 1966).

The broad rejection by UK employers of pluralism in workplaces was illustrated by their opposition in the 1970s to union-channel worker directors in manufacturing firms with 2000 or more employees. This innovation was recommended in 1977 by a commission of inquiry established by the Labour government in 1975, chaired by Alan Bullock of the University of Oxford, and was already an embedded feature of corporate governance in the Federal Republic of Germany. Many unions favored worker directors as a means of arresting disinvestment and deindustrialization. The Confederation of British Industry (CBI), representing small- and medium-sized businesses, and the major multinationals of Courtaulds, ICI, Shell UK, Unilever, and United Biscuits united with Conservative politicians to resist the initiative, even threatening an investment "strike" that would greatly have destabilized economic life in the UK. The episode indicated that real power in industrial relations during the golden age resided with employers and their organizations rather than with workers and trade unions. Their victory consolidated managerial sovereignty over workplaces and also incentivized pay conflict in the years that followed, including that of the 1978–1979 Winter of Discontent. Unions were compelled to defend their members on the terrain of cash outcomes rather than the design of production (Phillips 2011).

A narrow focus in on market relations also contributed to unstable collective bargaining in US car manufacturing. The UAW tried unsuccessfully to widen the scope of dialogue with employers to encompass "entry into the realm of managerial prerogative relating to planning of production" (Zieger 1994, p. 148). Rebuffed, the union concentrated instead on maximizing monetary returns, including wages, benefits, pensions, and holiday entitlements. In exchange management insisted on the ever-tighter maintenance of an unappetizing labor regime which required endless routine and repetition. This was classic Fordism, but entering its "twilight" by the late 1960s (Pizzolato 2013b), its legitimacy weakened in part by generational change. Younger workers had increased expectations arising from improved living standards and the extension of education which clashed with the physical and mental tortures of the assembly line (Cowie 2010, pp. 44–49). The evolving civil rights struggle also held weight. Younger working class African Americans had a distinct critique of the alienating labor regime as they experienced it. They resented the limited opportunities for promotion and their supervision by older white employees. They likened auto-assembly factories to the slavery-era cotton plantations. In 1968, a year of global revolutions of class, race, gender, and youth, African American workers formed the Dodge Revolutionary Union Movement (DRUM) in Chrysler's largest factory in Detroit. DRUM members established contacts with protagonists in other car factories, in the steel industry, and in the postal service. A pan-industry alliance, the League of Revolutionary Black Workers, had a short but eventful existence with an influential legacy in the subsequent development of African American activism (Pizzolato 2013a, pp. 144–60).

Social authority was also contested in UK workplaces. A key structural element was the shift in the distribution of industrial employment noted in the first part of this chapter. The value of government regional aid was substantially increased from the late 1950s, with more grants and loans persuading private firms to locate their businesses in areas of shrinking "traditional" industry where there was surplus labor. Many inward investors, including US firms across engineering and other manufacturing sectors, seized these opportunities (Gibbs and Tomlinson 2016). The UK location provided access to markets in the European Free Trade Area and then in the European Economic Community, which the UK joined in 1973. Workplace industrial relations in the regional aid districts were often tense. The existence of a "culture clash" was identified by employers and employees alike, and resentments were multilayered. Employers expected disciplined workers, willing to accept wages above local market rates but below national industry averages. US firms in particular wanted to capitalize on the cost advantage of moving production from their higher-wage home environment by minimizing union influence in their new factories. Employees accepted their transfer from established local industry – coal, metals, and ships – but in Scotland at least only on the promise of greater economic security and employment stability. Disputes were triggered where union and skilled traditions were offended by the US production regime (Knox and McKinlay 1999).

A typical Scottish case was the earthmoving equipment factory owned and operated by the US multinational Caterpillar, at Uddingston in Lanarkshire. This opened in 1956 on the cleared site of a mining village, Tannochside, and was Scotland's largest single factory in the 1960s and 1970s. The premises covered 65 acres, with employment peaking at around 2500 in 1968. Caterpillar initially resisted union recognition, which the workers won after a 9-week strike in the winter of 1960–1961. Caterpillar fought a rearguard action, accepting the presence of full-time union officers but not workplace stewards. This was unsuccessful. Emboldened, the stewards incrementally exerted a foothold in the factory, securing bargaining rights on a variety of organizational questions (Knox and McKinlay 2003). The victorious recognition strike was long remembered by workers as an indicator of the employer's hostility to collective bargaining and the fundamental importance of activism in pursuit of trade union voice and improved working conditions (Gibbs and Phillips 2018).

A second instructive Scottish case is the car plant at Linwood in Renfrewshire, 10 miles west of Glasgow. This was one of several motor industry initiatives funded by the UK government as a means of diversifying regional economies in South Wales, Merseyside, and Central Scotland. Linwood opened in 1963, initially owned and operated by Rootes and then from 1967 by Chrysler. The labor regime ran counter to the experiences of workers drawn to Linwood from marine engineering, shipbuilding, and coal mining backgrounds. There were frequent short stoppages in the 1960s, followed in the 1970s by major confrontations where control of production was a larger issue than wages. Managers were under mounting pressure to exert control of costs in an increasingly competitive global market. In trying to assert authority, they merely alienated many employees. In 1975 Chrysler obtained fresh investment from the Labour government in return for establishing a form of industrial partnership across its English and Scottish holdings. But the firm's commitment to employee involvement was superficial. The promised introduction in 1976 of new models at Linwood was abandoned, and Chrysler sold its UK operations altogether in 1978 to Peugeot-Citroen, without consulting the workforce. Popular understanding of these various issues at Linwood – including lost local influence over economic and industrial assets – contributed to the longer-term growth of support in Scotland for political-constitutional changes, including "Home Rule" within the UK and then independence (Phillips et al. 2019).

These details of conflict and insecurity are important. Car manufacturing is associated with the "affluent worker," a significant theme in debates about golden age economic improvement in the UK, identified and developed in a sequence of sociological studies in the 1960s (Goldthorpe et al. 1969). Recent re-evaluation has emphasized the extent to which working class affluence was highly conditional, qualified for some by long and arduous hours, and for others by the opposite difficulty of intermittent redundancy and unemployment. Material gains in many sectors had to be squeezed from the hands of grudging employers (Savage 2005; Todd 2008). A pioneering study of car assembly workers at Ford's Halewood factory included two important findings that are relevant here. First, large corporate employers in the industry cultivated competition between their employees at different factories. Internal working class divisions resulted, undermining union efforts to enhance pay and conditions across the industry. Second, the labor process was strenuous and alienating. "Affluent" workers did not easily come by their earnings (Beynon 1973). At Linwood cyclical employment peaks of 9000 were interspersed with heavy redundancies: more than 2000 were "released" in 1975 alone (Phillips et al. 2019). This aggravated industrial relations in a way that strongly qualifies the linear progress narrative. Workers at Linwood and many other industrial sites were protecting their economic security rather than imposing their will illegitimately on society, as political critics of trade unions often claim (Whiting 2008).

Conclusion

Industrial relations in the USA and the UK in the golden age were not characterized by high levels of trade union power. This chapter has shown that there was no linear narrative either in the conduct of collective bargaining. There was a significant growth of real wages in both countries in the 1950s and 1960s arising from two related factors: the relatively low levels, historically, of unemployment, which provided labor with an unusual degree of market advantage, and the ability of trade union negotiators to secure improved terms through bargaining with employers who could afford to meet demands in an era of continuous expansion.

Union power was nevertheless highly circumscribed by structural economic change in both the USA and the UK. From the late 1950s onward, there was a marked shrinkage of industrial sectors where union density had been comparatively high: in coal mining, metals, heavy engineering, and shipbuilding. In the UK this was by government design, with the aim of growing the economy more quickly by shifting capital resources and labor into consumer goods manufacturing. This contributed to improved living standards generally, but union bargaining strength was diminished in the shrinking sectors. The fall in coal industry employment, for example, eroded the relative position of miners' earnings in the manual wages league. Deindustrialization is often assumed to have commenced no earlier than the late 1960s, after the peak of employment in all manufacturing sectors. But in the coalfields and elsewhere, it was a basic fact of economic life from the 1950s onward, conditioning worker dissatisfaction and slowly preparing the ground for the miners' fightback in the 1970s. "Early-onset" deindustrialization indicates that the fruits of economic progress and collective bargaining were not shared equally by all workers.

The partial and nonlinear nature of progress is additionally demonstrated by the contested nature of industrial relations on gender and ethnic lines. In the UK immigrant workers from African Caribbean, African, and South Asian countries experienced discrimination in encounters with employers, unions, and white workmates. The same was true, with even greater force, of African American workers in the USA. In both countries there were serious barriers to the advancement of women. Protests in the sphere of industrial relations by female and ethnic minority workers challenged the authority of employers and sometimes trade union officialdom also. These workers were asserting their right to access greater justice and did so partly in class terms. Unions were slow to recognize the distinct problems of gender and race. But collective action, usually through established labor organizations, helped to narrow inequalities of this type along with changes in the law.

Workers and their unions were ultimately less influential than their employers, even in the unusual circumstances of low unemployment and stable growth. This is clear from the capacity of employers to prevent wider scope collective bargaining after the Second World War in both the USA and the UK. They accepted dialogue on "market relations" issues such as wages, hours, overtime, breaks, and holidays but refused to discuss "managerial relations" questions like investment, product development, and the organization of work. This business opposition to broader scope dialogue was arguably dysfunctional. It incentivized wage conflict because in bargaining terms employees and unions were given no alternative other than to focus on extracting greater financial reward from the employment relationship. The problem was fundamentally ideological: employers were over-committed to protecting their own workplace and organizational sovereignty. The blocking of worker company directors by UK employers in the 1970s demonstrates the power of this ideology, as does the US Business Roundtable's promotion of union-free work environments while vetoing effective full employment legislation. Business power, not union power, was the chief characteristic of industrial relations in both the USA and the UK from 1945 to 1980.

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The Rise of Marketing

37

Alex G. Gillett and Kevin D. Tennent

Contents

Abstract

Marketing and sales have existed in some form for centuries, but it was in the twentieth century that modern marketing management emerged as a distinct field of study and profession. This chapter narrates that development with reference to marketing practice, academic research, and education, to show how ideas about the scope of marketing broadened, particularly during the decades after World War II. In particular, this chapter examines the ideas from services and relationship marketing that first emerged during and before the 1980s.

Keywords

Marketing · Sales · Education · Textbook theory · Professionalization · Brands · Services · Relationships · Customers

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Introduction

Marketing can be defined in numerous ways – many definitions exist, and the various textbooks and professional bodies each have their own explanation. To understand what marketing means for managers, this chapter shall use one of the most up-to-date (at the time of writing) definitions by a professional body:

> Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (American Marketing Organization 2017)

Most academic interpretations make a similar point (understandably as good academic research both reflects and informs marketing management practices, as highlighted later in this chapter). Thus, the modern-day understanding of marketing is of a management process and is about exchanges with customers and other stakeholders (individuals and organizations) internal and external to the organization, including regulators, affiliates and strategic partners, suppliers, competitors, residents, employees and internal departments ("internal marketing"), and others relevant to the context of the organization concerned (Buttle 1996; Godson 2009).

This chapter summarizes the history of marketing, synthesizing some of the key literature. The theory has evolved toward a multi-stakeholder perspective in which service and relationships are given as much significance as product design and advertising. Marketing can be considered as a heterogeneous and nuanced subject and that there is still much to be discovered. As with other areas of management history, temporalities and geographies are very important, as are firms, their customers, and other stakeholders. Unlike some papers on the history of marketing, this chapter does not attempt to box off distinct "eras of the economy." Readers wishing for such a temporal framework should see, for example, the papers by Keith (1960) who identified distinct paradigms firms had gone through up to that point – the production era, the sales era, and the marketing era – or by Bartels (1988) who charts the twentieth century into seven distinct marketing "periods," from "discovery" to "socialization." Gilbert and Bailey (2001) looked back even further to identify four eras: Antecedents (1500–1750), Origins (1750–1850), Institutional Development (1850–1930), and Refinement and Formalization (1930–present). Jones and Shaw (2002) also produced a detailed synthesis of the history of marketing thought which is also useful and based on a much looser framework, but is from the perspective of US economic history, rather than management history more generally. Indeed, Hollander et al. (2005) compare 28 attempts at periodizing marketing history, and although they offer suggestions to how to periodize research in marketing, their paper highlights the limitations and complexities of such an approach. This chapter thus presents a narrative of the marketing history that has clearer links to management history and less emphasis on trying to define distinct eras.

In the Beginning

Selling and buying, markets, and commerce can of course be traced back to ancient history. Archaeologists, anthropologists, historians, and sociologists have all studied these things in different contexts and documented their findings. Trade and war are a fundamental part of the story of human beings from prehistory to the present day. The Vikings traveled by sea to discover new lands, and evidence shows that their settlements contained not only items originating locally and from Scandinavia but also contact with Africa and Asia. Similarly, it is known that the Roman Empire stretched across countries and continents. They built roads to transport their military and had clear lines of supply, such as in England where there were many such roads – in particular along the length of the country stretching from the South Coast up to the Scottish border. Significantly, this linked major cities in a fairly direct line heading north to Hadrian's Wall, where the Army had Forts accross the breadth of the country to protect its hostile border with Scotland. As well as allowing efficient mobilization of military resources and travel for those with the means to do so, evidence suggests that supplies may have been transported and some trade would presumably also occur en route. Elsewhere, the Silk Road, stretching from Asia to Europe, was a major network of trade routes that enabled interactions between cultures that would influence cultural, social, and religious life.

Other concepts such as brands and branding can be traced to antecedents "stretching back millennia" (Duguid et al. 2010, p. 9), but "it is only in the nineteenth century that a defensible property right in marks sufficient for the task of modern marketing emerges" (Ibid.). Egan (2011) goes back further to identify eighteenth-century entrepreneurs such as Wedgwood as an example of a brand from the 1700s which to this day enjoys a market-leading reputation among consumers and in its industry (cf. Lane 2019). Other examples could include the hallmarks and emblems of metal smiths. However, Ambler (2006) distinguishes "modern marketing" as an independent discipline and career path for marketing "specialists" which really begins in the twentieth century, particularly in the USA. Tadajewski and Jones (2012), for example, postulate a link between scientific management and marketing ideas in the early twentieth century as being consistent with ideas of customer centricity and social benefit. Their findings challenge some subsequent interpretations of scientific management.

Considering marketing as something which began to professionalize in the twentieth century leads naturally to discuss the formation of its professional and industry bodies. Today, several major sales and marketing bodies exist in the UK, including (but not limited to) *The Chartered Institute of Marketing*, the *Institute of Sales Management*, *Institute of Direct and Digital Marketing*, and the *Advertising Association*, and in the USA, the *American Marketing Association*. In the UK the story begins before the term "marketing" was in such use as it is today, with the formation of the Sales Managers, Association in 1911, which stated its mission as:

> To promote, encourage and coordinate the study and advancement of sales management in all its branches, both home and overseas. To initiate and maintain investigation and research

into the best methods of sales management, to safeguard the interests of sales managers, to extend, increase and disseminate knowledge, to exchange information and ideas with regard to all matters concerned therewith, and to assist and further, in all practicable ways, the development and improvement of sales management, market research, advertising and the conduct and handling of all sales of commodities, goods and service in the higher interest of the British people. Chartered Institute of Marketing (n.d.)

By the 1920s this organization was evolving fast and over the next few years broadened its network globally when it affiliated with the *American National Association of Sales Managers*, the *Associated Advertising Clubs of the World*, and also the *Advertising Association*. Formative to professionalization, annual examinations were introduced and certifications were awarded for the first time in 1928, and by the middle of the next decade, a 3-year syllabus was introduced, emphasizing the importance weighted on education. However, in 1931 the organization had symbolically changed the name of its magazine to *Marketing* – this is significant because a group of members were apparently disgruntled by what they perceived to be a shift in emphasis away from sales and selling, toward the relatively newer, broader (and arguably less direct but more ambiguous) field of *Marketing* (The Chartered Institute of Marketing n.d.; Institute of Sales Management n.d.).

Meanwhile, in the USA, the National Association of Teachers of Advertising (NATA) had formed in 1915 but, similarly, over the next few years broadened its interests to include economics and accounting and changed its name several times but by 1933 had settled on the *National Association of Marketing Teachers (NAMT)*. In around 1930 the American Marketing Association was founded separately, but the two organizations soon joined forces, publishing the *Journal of Marketing* in 1936 and merging into a single entity in 1937 (Agnew 1941). Today, the journal is still a leading publication of research of marketing over 80 years later.

The first half of the twentieth century was of course defined by two world wars.

This had significant implications for firms involved with industries such as financial services, mining, manufacturing, foodstuffs, and shipping, in participating nations such as Britain, France, Germany, Japan, China, and the USA, as well as in neutral countries. Sudden and dramatic changes in the geopolitical environment affected everyday life, globally (Smith et al. 2016). As priorities changed, so did demands: The need for munitions and equipment to fuel the war effort was given priority over the manufacturing of other items, such as confectionary. Supply was also disrupted; Domestic agriculture was realigned to produce particular crops, rationing was enforced, and imported items and ingredients became more difficult to obtain, as shipping became more dangerous. Furthermore, methods of communication familiar to advertising, sales, and marketing people were also used by governments, military, and departments of the civil service to encourage or discourage certain behaviors: Posters were displayed at public places encouraging citizens to join the army, grow vegetables, not gossip, and to reduce waste. Indeed, the German and Italian fascist regimes of World War II (WW2) had made a significant use of propaganda in an attempt to legitimize their regimes before and during hostilities. From carefully designed aesthetics – including large infrastructure and construction projects such as stadiums, and even hosting global sporting events such as the FIFA (soccer) World Cup and Olympic Games to publicize their alleged physical supremacy as athletes, as well as technological and operational might. All of this was part of an effort to carefully manage the regimes' public image as perceived by their domestic populations and also the rest of the world (Tennent and Gillett 2016, 2017, 2019).

Additionally, there were efforts to carefully manage populations using personal data. Hitler's regime gathered statistics by census and segmented populations along lines of nationality, ethnicity, disability, and so on. The resulting data was computed using advanced punch-card technology to identify, Segment, stratify and control the population. The oppressive and often terminal outcome for citizens was based upon how socially or biologically wanted or unwanted their designated segment was deemed to be (Aly et al. 2004).

Although it is an extreme political example of the application of statistically driven social segmentation, the acts of the German Reich, together with the subsequent population control and management applied by the USSR, appear to have raised fears, particularly in the UK. Social control by grouping, stratification, and hierarchy based on political regimes is fundamental to the dystopian science fiction of Orwell (1945, 1949) published in the aftermath of war and which became best-selling novels and cultural reference points in the UK and USA. However, there are similarities to Huxley's (1932) *Brave New World* influenced by his earlier perceptions of twentieth-century industrialization and advances in science and engineering, which he had experienced during his time at Brunner and Mond (later part of *Industrial Chemical Industries [ICI]*) (Northern Echo 2005).

Through the first half of the twentieth century, business management thinking had also become more engaged with data-driven approaches to planning and decision-making and advances in statistics and behavioral sciences. Although far less extreme than Orwell or Huxley's visions of a fictional dystopian future (and certainly less so than Hitler's political misuse of population data), there are nevertheless ethical dimensions to data-driven marketing which, while visibly addressed through various Data Protection Acts in the twenty-first century, were still relatively unregulated for much of the twentieth century. Robinson's (2012) account of mail-order "quack" doctors and their market research at the turn of the twentieth century shows how it led to innovative approaches in advertising and direct mail based upon social science techniques using statistical correlation and quota sampling. On the one hand, this enabled companies to more accurately target prospective customers than by blanket advertising but which arguably can be seen as forbears of modern-day telesales scams. Lauer (2012) identifies the use of retail sales ledgers in the 1930s in America as a significant forerunner to what is today known as data mining, as systematic analysis known as customer control using records of credit information was used to identify current and lapsed customers to target through direct-mail techniques. Today, these efforts would be referred to as "win back and save" (as managers understood it was easier to reclaim old customers than to find completely new ones) as well as cross- and up-selling (i.e., encouraging grocery customers to purchase furnishings or to increase the price points of products they purchased in an existing category). Although seemingly more ethical than Robinson's case, in contrast to the modern consumer, the customers in Lauer's findings still apparently had no option to opt out of such promotions nor control of who had access to their credit data.

The inter-war years had been significant for the origins of efforts which transformed "luxury" items into "necessities" for many families in Britain, as producers and retailers succeeded in creating mass markets for items such as radios and furniture. Although not everything succeeded immediately, for example, firms such as Hoover advertised its vacuum cleaners as a time- and labor-saving innovation, targeting maids and housewives and augmenting its efforts with door-to-door salesmen. Although popular in America, it took longer for Hoover to establish itself in Britain, and the reputation of door-to-door selling was sometimes negative. Similarly, cars and telephones also took longer to diffuse to British consumers relative to the USA (Scott 2017).

After the Wars

Recalibration of society and industry after WW2 meant that European economies began to improve. Quick growth in living standards and demand (despite rationing for some items which lasted into the 1950s) coupled with increased opportunities for consumer credit and mortgages, and the growth in advertising due to the growth of television, meant that the mid-twentieth century was characterized by mass marketing and a rise in consumerism which mirrored the USA (Aveyard et al. 2018; Egan 2011). New conceptual and methodological perspectives from behavioral sciences on management decisions and statistical and customer behavior analysis were leveraged due to advances in computing technology, and scientific approaches to marketing were popular. For example, continued interest in the profiling of society by wealth, births, and migrations led to frameworks that could be used by marketers for demographic profiling (Egan 2011).

McCarthy (1960) and Borden (1964) are often credited as introducing and refining the idea of a marketing mix – an analogous list of ingredients that marketers could adjust to meet the tastes of customers, calibrated into the 4Ps of marketing (product, price, place/distribution, and promotion). With mass markets and advertising opportunities more available than ever before, the idea of brand and product management was becoming more strategic. The introduction in 1968 of the "growth-share matrix" (Boston Consulting Group n.d.) provided a tool by which managers could prioritize focus on specific markets and products, by organizing their portfolio by market growth and share relative to competitors. Thus, investment could be targeted based upon the strategy and objectives of the organization, although the tool would become misunderstood and misapplied in later years (McKeown 2016).

An illustrative and influential case of the growth of branding and merchandising during the mid-twentieth century is its introduction to global sporting events. For the FIFA (soccer) World Cup 1966, hosted by England, an opportunity was identified for branding, merchandising, and product development on a scale not previously associated with such a sporting event. A variety of products were licensed including clothing, ash trays, pottery, a World Cup ale, and themed music in different genres (Tennent and Gillett 2016, 2018). It was intended by the FA Organizing Committee that these products, mostly emblazoned with a cartoon mascot *World Cup Willie*, would help to cross-promote the tournament and, indeed, each other. This very deliberate commercial strategy did not really pay off as hoped, but these entrepreneurial efforts had a legacy; merchandizing was a theme that future World Cups – and other sporting events such as the Olympic Games – would develop much further.

The increasingly strategic approach to marketing management often required a varied skill set, encompassing technical as well as business knowledge. For context, we now consider the history and role of business and marketing education for twentieth-century managers, before rejoining our historical narrative of marketing in the late twentieth century.

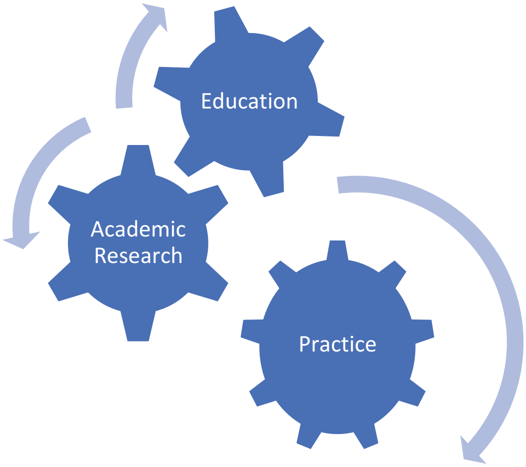
Marketing and Management Education

The academic research, education, and practice of marketing (and related topics such as sales and strategy) can be explained metaphorically as being three cogs of the same machine, which interdependently drive each other; academic research is based on what is practiced, for example, to explain what is happening and why and to make suggestions for improving marketing (e.g., by being more ethical, more effective, or more efficient). In turn, this research synthesized from academic study is used to inform the various textbooks and curricula applied in business education from schools to universities, as well as professional training. The interlocking relationship between the practice and academic tripartite is shown in Fig. 1, although this interdependent view has not always been evident in academia, which at times adopted a "top-down" view (with academic research at the top) mentioned below. It is in this context that this chapter now gives a very brief explanation of post-WW2 marketing and business education.

Purpose of Business and Management Education

Since WW2 there has been a concentration in some schools, affecting both the research and teaching fields, on functional sub-disciplines and statistical analysis driven by economics and quantitative sociology – identified by Mintzberg (2004) as rescuing the business school from a purely vocational focus. Bonet (2015, p. 1) counters this approach by arguing that management is also "an art whose education has to include humanities." This humanities approach was inherent in the other main school of management education, led by the Harvard Business School (Bonet 2015; Mintzberg 2004). This emphasis was led by the military-inspired teaching of business policy (Hoskin and MacVe 1986, 1988; Carter et al. 2008) later known as *strategic management* (Mintzberg 2004) which integrated an understanding of the various business functions together.

Fig. 1 The cog metaphor of the academic and practice tripartite relationship



Harking back to the influence of Sun Tzu (2015, but originally c. 500 BCE), the humanities basis was indicated by the emphasis on "war stories" or case studies based on empirical research. Strategy was a rationalizing construct to be applied across different contexts and cases, an approach epitomized by the work of Chandler (1962, 1977, 1990) which attempted to create generalizable theory from historical cases (▶ Chap. 35, "Chandler and the Visible Hand of Management") and Ansoff's *Corporate Strategies Matrix* (1965). Ansoff's work emphasized strategic direction on a two-dimensional plain as if the organization was an army, an approach later echoed by Porter in his *Generic Strategies Matrix* (1980) and later considered by Mintzberg et al. (1998) to be the strategy of *Position* (see also ▶ Chap. 34, "The Age of Strategy: From Drucker and Design to Planning and Porter").

Military ideas and analogies and thus the case method were welcomed enthusiastically by other sub-disciplines such as marketing and sales, as epitomized by Ries and Trout's *Marketing Warfare* (2006) which is inspired by General von Clausewitz's *On War* (1832). The reduction of management studies to frameworks based on rationalism has facilitated the union of the quantitative school with the case study school. This emerged from the late 1970s onward in tandem with neoliberalism which encouraged enterprise culture and thus the growth of the business school initially built on the provision of Master of Business Administration (MBA) courses (Kanter 2005).

The expansion of scientifically, analytically, and econometrically casted theories (Kanter 2005) which attempt to "discover patterns and laws" was based on a "firm belief in causal determinism for explaining all aspects of corporate performance" (Ghoshal 2005, p. 77), excluding the role of human intentionality (Bailey and Ford 1996). These theories, supported by influential reports and financial investment, came to dominate business school teachings (Clegg and Ross-Smith 2003). Kanter (2005) identifies the popularity of these theories among the businesses sponsoring and hiring MBA candidates as reaching a nadir during the 1980s, as American-style one-sided shareholder capitalism "was considered the very model of a modern economic system" (p. 93), a demand that business schools and management professors were willing to supply.

The weakness of these theories and their underlying positivist and economically [neo]liberal ideology (Friedman 2002) is highlighted by Ghoshal (2005) who argues "it is an error to pretend that the methods of the physical sciences can be indiscriminately applied to business studies because such a pretension ignores some fundamental differences that exist between the academic disciplines" (p. 77). Emphasis on neoliberalism means that neoliberal economics is considered normative by business schools – but suppresses the history of ideas in the field because anything that doesn't fit is ignored.

However, some critical and alternative ideas did emerge from the marketing thinking that evolved toward the end of the 1980s and through the 1990s, with more emphasis placed on service, on relationships and networks, and on business ethics, to which we now turn.

End of the Century: Broadening the Scope of Markets and Marketing

In the Western Hemisphere at least, the 1980s may be remembered as a decade in which politically conservative governments led the UK and USA. Consistent with the neoliberal approach, market-based approaches were in favor and introduced quite rapidly into the public sector. An ideology based upon private sector business management became dominant, and the academic study of public administration and political science became the domain of business schools (Lynn 2007). Indeed, the work of management "gurus" such as Peters and Waterman and Michael Porter had a great influence on government thinking.

This new era of in-depth restructuring of the public sector (Pollitt 1990; Hood 1991; Ferlie 1998) has been labeled *New Public Management* (NPM), an expression attributed to Hood (1991, 1995). Although "there is some doubt as to what NPM is, and if there is a single NPM" (Lapsley 2008, p. 91), it has been defined as being based upon the core values of value for money, efficiency, performance measurement and management, transparency, and contestability (Hood 1991; Ferlie 2007).

Whereas some national governments (e.g., USA and New Zealand) sought to encourage a local government culture of competition (Domberger and Hall 1996), NPM in Britain was initially typified by an even stronger emphasis on market forces. This involved the privatization of some public services, and the requirement for the Compulsory Competitive Tendering (CCT) of others, meaning that the role of local authorities would now be more of a commissioning agent than a direct service provider (Coulson 2004).

CCT was first introduced in 1980 with the Local Government, Planning and Land Act (1980) for construction, highways, and maintenance work and in 1982 extended to health authorities for support activities such as catering, cleaning, maintenance of estates, and portering services. By the late 1980s, the Local Government Act (1988) was introduced, and CCT was extended even further to public services such as refuse collection, public libraries, and arts centers and, by the end of the decade, eventually also to sports and leisure management services (The Guardian 2011).

Notwithstanding governmental approaches, some academics believed that at around the same time there was a reconceptualization in the orientation of marketing as a field of study and practice, from transactions to relationships (Berry 1983; Bund-Jackson 1985; Webster 1992). This was because of broader thinking and application by managers, consultants, and academics as to the scope and purpose of marketing throughout the latter decades of the twentieth century, particularly in industrial, business-to-business contexts and services markets (Mattsson and Johanson 2004; Palmer et al. 2005; Gummesson 2008).

> Marketing is so basic that it cannot be considered a separate function within the business. Marketing requires separate work. . .but it is, first, a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. . .concern and responsibility for marketing must, therefore, permeate all areas of the enterprise. Drucker (1973 cited by Doyle 1995 p. 33)

The above quotation, attributed to Peter Drucker (who believed in a vocational definition of *management* in which its function and broader responsibilities held a social purpose), shows that the centrality of the customer should be paramount to marketers and that marketing activities and customer perspective should be the responsibility of everyone within an organization, not just its sales team or people with "marketing" in their job title. For example, from the management practice and academic field of operations management, Terry Hill categorized operational capabilities which can lead to competitive advantage and market success. Published in academic literature in the mid-1980s (Hill 1985), his simple yet insightful typology enabled managers to consider the client's perspective by identifying two things: (a) what drives customers in buying the products manufactured by a company at all (*order qualifiers*) and (b) what makes customers purchase a certain product instead of a similar one manufactured by a competitor (*order winners*). Operations Management was explicitly identifying customer preference as a key variable, and that this should require coordination across the firm to deliver on "order winners" that are based on realistic sales promises that the organization can fulfill practically, to meet customer expectations. This customer preference seems significant because the Operations Management disciple is sometimes (perhaps unfairly) thought of as inward looking and dominated by a logic of engineering or technology that could on occasion put it at odds with Sales departments.

Such observations led Gummesson to distinguish between *full-time marketers* (FTMs) and *part-time marketers* (PTMs) and to identify that in many situations, the impact of PTMs is more important to long-term success in the marketplace than that of FTMs (Gummesson 1991). Furthermore, it is suggested that because interaction and co-production occur between service providers and customers, and that customers might also interact with one another, even the customers themselves can be viewed as PTMs (Gummesson 1991). Marketing is therefore seen more as market-oriented management and an overall process rather than a separate function of the organization (Grönroos 1996).

Indeed, Ames (1970) and Webster (1978) identified how planning in the industrial setting (as distinct from the consumer goods sector) requires more working relationships across functions and a tighter link to corporate strategy, because evolving client demands could imply changes throughout the supplier firm, such as to capital commitments for equipment, shifts in development activities, or adapting (or even innovating) engineering and manufacturing approaches. Thus, strong interdependencies exist between an organizations' marketing function (i.e., departments or job titles along the lines of business development, sales, proposals, public relations, advertising, or simply called "marketers") and other functional units, such as research and development, logistics, and so on. Sales and marketing professionals may then have an account management role involving coordinating between their employer (the supplier organization) and the client organization – a boundary position integrative across functions (Day 1992). As such, marketing (and sales) departments were perhaps taking on a broader remit, in some scenarios having (or at least attempting) increasing influence over other business functions within their organizations, so as to ingrain client needs into activities throughout the firm. Negotiation and diplomacy are thus important interpersonal skills for sales and marketing professionals. In this context there is less emphasis on "marketing" as a transaction or something that a seller does to a target and more emphasis on leveraging interdependencies and striving for mutually agreeable outcomes, perhaps over a long-term arrangement – "win-win" scenarios that retain customers (Hutt and Speh 1984). The firm-wide and strategic nature of this interpretation of "marketing" was consistent with ideas elsewhere, for business strategists were by the next decade using terms such as *co-opetition* (e.g., Nalebuff et al. 1996).

Research on marketing published throughout the 1980s suggested that other members of an organization's environment should be acknowledged as being a form of customer (Håkansson 1982), that the philosophy of marketing should be given greater consideration (Deshpande 1983), that broader consideration should be given to what a "general theory" of marketing might need to include (Hunt 1983), and, reminiscent of Hutt and Speh (1984), that marketers should consider long-term interactive relationships, rather than just maximizing transactions for short-term gain (Gummesson 1987). This thinking was consistent with earlier work emanating from Northern Europe emanating from the studies of the Industrial Marketing and Purchasing (IMP) Group in which it was proposed that business transactions be viewed as part of a continual stream of engagement, not isolated events (IMP Group 1982).

Contrary to Fig. 1 which depicted a balanced and interdependent relationship between academia and practice, the mainstream view in management science around this time had suggested gaps between science and practice as being due to the irrationality of managers who should be controlled so as to be brought in line with theory. Network researchers challenged this stance, approaching gaps between science and practice as being gaps in theory to be explored and met

(Johanson and Mattson 1994 cited by McLoughlin and Horan 2002, p. 540). The IMP Group and others such as Gummesson appear to have been critical of marketing thinking as being dated, as global markets emerged and the US internal market faced fresh competition as economies and industry developed around the world and supply could increasingly be sourced from Asia or Europe. Thus, buyers and suppliers should strive to differentiate on good service and meeting consumer needs as the ratio or balance of buyers to suppliers shifted.

However, the most fashionable ideas of the day appear to have been based on simple diagrams that lent themselves to "brainstorming exercises" at corporate away days: 2x2 boxes such as SWOT analysis or Porter's generic strategies: These were about identifying a firm's "strengths," "weaknesses," "opportunities," and "threats" which could be determined by other compatible analyses, for example, by considering the scopes of cost or differentiation to find a position within a market that could be dominated or niched (Porter 1980). The focus tended to be based around market share, and how much should be sought, as a primary performance measure. The measurement of the profit impact of marketing was popular through the 1960s, 1970s, and 1980s as firms sought to demonstrate accountability to shareholders (Buzzell and Gale 1987), and military-like strategies for achieving "competitive advantage" through analyzing a firm's position in an industry or market to identify barriers to entry, achieving "first mover advantage," and avoiding the middle ground also gained favor and became staples of marketing and strategy texts during this time (e.g., Porter 1979, 1980).

While useful and popular, there seems to have been a tendency for these approaches and tools to be interpreted as short-termism – as a "quick fix" and a way to manipulate or "beat" the customer – and that it led to a mindset that other firms should all be seen as hostile competitors. It is from observations such as this that led researchers to study the nature of networks, interactions, and relationships as described above.

Concern for processes and service relationships was not the preserve of business-to-business marketers or Northern Europeans. A corpus of research on service processes and services management was simultaneously emerging and included the work of many US scholars who were interested in service operations and processes from a marketing perspective, such as balancing efficiency and effectiveness to achieve excellent customer experiences and customer retention in a way that was also practical and profitable for the service provider. For example, Parasuraman et al. (1985) identified barriers to customer-perceived quality which can be summarized as follows:

1. Misconceptions of what the customer actually wants, leading to an inappropriate or incomplete service "product"
2. Inadequate resources, for example, under-staffing to achieve short-term, transactional cost efficiencies
3. Inadequate delivery, for example, resulting from lack of training or poor recruitment leading to lack of knowledge or lack of interest in the customer

Parasuraman et al. (1985, 1988, 1991) developed criteria for assessing service quality and developed a survey mechanism known as SERVQUAL for collecting and measuring customer perception data, thus providing an insight to the service orientation of organizations from the perception of service customers. The original model is based on the assumption that service experience from the customer's point of view can be covered by ten criteria, namely, access, reliability, credibility, security, understanding the customer, responsiveness, courtesy, competence, communication, and tangibles. Since then, researchers and business people (particularly in the hospitality and hotel sectors) have adapted the scale by omitting or adding to the list of statements to measure service quality in their specific context (Wirtz and Lovelock 2016). Elsewhere, service marketing scholars provided various reiterations of the marketing mix, extending it to incorporate more "Ps" (such as process, physical evidence, and people) Chartered Institute of Marketing (2015). Ideas from engineering and manufacturing were also adapted, such as fishbone diagrams and other cause and effect analyses, flowcharting and blueprinting, and the Gap Model – a tool used for designing or analyzing and redesigning service processes to highlight potential service failure points and opportunities to optimize the offering. A key point to all of these tools was that they were intended to be customer-centric, with processes designed around meeting or exceeding customer expectations with the objective of customer satisfaction, retention, and positive word-of-mouth effects to build reputation, all of which could reduce the reliance on advertising, discounts, or other promotional efforts (these ideas have been proposed and developed by various authors, but a comprehensive overview is provided by Wirtz and Lovelock 2016).

In the related field of sales, customer centricity with an emphasis on identifying and providing solution to needs was also considered as an important step forward: Rackham's (1987) SPIN selling method offered an evidence-based formula for sales approaches based on probing to understand clients' explicit needs so as to offer valued solutions and capabilities to clients, particularly for high-value and industrial settings, and was positioned as a progression beyond the dated "door-to-door salesman" approaches which had developed around low-value and transactional consumer goods sales techniques from earlier in the century.

Ideas such as those presented above indicate that marketing as an academic discipline was moving closer to strategy, at times overlapping. Perhaps this was to fulfill an apparent void, as the field of strategic theory was itself perceived to be moving away from customer centricity and toward ideas of capturing economic rents in one form or another (▶ Chap. 34, "The Age of Strategy: From Drucker and Design to Planning and Porter"). The broadening of marketing thought corresponded with acknowledgment of marketing as a profession, and by the turn of the decade, textbooks in the fields of marketing (e.g., Kotler 1988) and sales management (e.g., Lancaster and Jobber 1990) demonstrate a broad, firm-wide, customer-centric, and service-/relationally based approach to the subjects. Significantly, in the UK, the professional body The Chartered Institute of Marketing received external validation when it was awarded *Royal Charter* in 1989.

Summary

This chapter follows the suggestions of Gillett (2014a) that management and business historians may find it rewarding to investigate historical cases using the lens of marketing, particularly in the broader sense explicated by the industrial, services, and relationship marketing scholars to research supply networks and brand relationships. In particular, relationships involving organizations from different sectors offer opportunities to explore institutional logics, differences, and complexities through history (Gillett and Tennent 2018). Additional opportunities might be to explore historical examples of the evolution of marketing practices aimed at *decreasing* consumption, as suggested by Gillett (2014b).

It is acknowledged that the ideas presented very much reflect the Western perspective of the authors, and the sources used are limited to those published in the English language and predominantly emanate from Northern and Western Europe and the USA. Tennent et al. (2019) advise that it is important for researchers to be reflexive and aware of their own perspectives, paradigm, and biases and also those of the sources upon which they base their findings. In this spirit readers are encouraged to consider these things for their own research and to use the knowledge presented here as a point of departure for their own research.

Along these lines it is also acknowledged that other economies are worthy of investigation. For example, other geographic economies require more research. Jones and Tadajewski (2017) provide insight as to the influence of German historical thinking. Other literature also exists, for example, in Asia, Africa, South America, and Southern Europe. Different geographies and temporalities of course have their own concepts and cases, and Jones and Tadajewski (2016) provide a useful cross section of research on this. Furthermore, phenomena such as Guanxi in China and the Keiretsu of Japan indicate that Western ideas of relationship marketing appear related but sufficiently different to warrant caution when applying them for explanatory power (e.g., Wang 2007). The formerly communist "Iron Curtain" countries of Europe offer further opportunities to examine attitudes and toward marketing and purchasing in centrally planned, or newly "opened," economies during the twentieth century (e.g., Patterson 2012; Afanassieva 2015). Furthermore, the illicit, illegal economies which have existed throughout history all over the world, including in Western European contexts (e.g., Jones 2016), are also worthy of additional research.

Cross-References

► Chandler and the Visible Hand of Management
► The Age of Strategy: From Drucker and Design to Planning and Porter

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Organizational Psychology's Golden Age, 1940–1970

38

Alice White

Contents

Abstract

The purpose of this chapter is to discuss organizational psychology in the mid-twentieth century Britain. This chapter explores why organizational psychology flourished between 1940 and 1970 by tracing the influence of war, social, and cultural factors that made organizations more receptive to the efforts of psychologists to extend their expertise and professionalize the field. It focuses on the work of psychologists for the British military and the Tavistock Institute of Human Relations, which was the most notable group applying psychological theories and methods to the study of organizations in Britain at the time.

Keywords

British management · Great Britain · Military · Selection · Leadership · Tavistock Institute

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Introduction

Was the period from 1940 to 1970 a "golden age" for organizational psychology? There was certainly a boom in the sort of work we would identify as organizational psychology during this era, and many see this period as a time when significant developments took place (Featherman and Vinovskis 2001; House 2008). But why? What was it about this form of management that was so appealing at the time?

This time was a time of "Big Science," characterized by large-scale projects, often supported by governments or international agencies, with research conducted by teams that often bringing together different forms of scientific expertise (Dennis 2015). Organizational psychology shares some of these characteristics (House 2008). The people who have worked and who currently work in the field of organizational psychology consider that they approach the problems and questions of organizations scientifically: Viteles, considered one of the earliest organizational psychologists, was quoted as saying "If it isn't scientific, it's not good practice, and if it isn't practical, it's not good science" (Katzell and Austin 1992). This chapter thus approaches the history of organizational psychology from a history of science perspective.

Analyzing the development of the field in terms of theories, methods, and professionalization enables us to trace the problems and opportunities that gave rise to new ways of managing people. Looking at who engaged with organizational psychology (whether as practitioners, patrons, workers and unions, and funders), and why, demonstrates what people hoped to get from the application of these methods. Understanding what organizational psychology consisted of, and the structures and cultures within which it operated, helps us to make sense of what made this approach particularly appealing, leading to a seeming "golden age."

What Is Organizational Psychology?

Organizational psychology, simply defined, is "psychology applied to work" (Takooshian 2012). It encompasses topics such as employee selection, job analysis, motivation and morale, leadership, and relations between and within groups and teams. It was initially known as industrial psychology in many places because work focused on factories before the growth of service work and corporations in the postwar period.

The term organizational or industrial-organizational (I-O) psychology is more commonly used in America than elsewhere; in the UK, the field came to be known as occupational psychology, and Peter Warr observes that in continental Europe, the term work psychology is traditionally used (Warr 2014). The terms psychotechnics and applied psychology have also been applied to the same set of concepts and methods. To keep things simple, though, this chapter will refer to organizational psychology.

As this list of terms and places indicates, there is no single history of organizational psychology. It has proceeded with varying focuses and been received differently in different times and places. The history of psychology in American management is discussed in detail elsewhere in this volume (▶ Chap. 24, "Organizational Psychology and the Rise of Human Resource Management" by J. Muldoon) and has been written about in many other places: most histories of organizational psychology give accounts of organizational psychology in America (The Editors of Encyclopaedia Britannica 2016), or "the United States and abroad," as illustrated by the US-focused summaries in timelines (Jex 2002; Takooshian 2012; Koppes Bryan 2012).

Recent histories of organizational psychology discuss the reception and growth of the field other parts of the world, and many recent national histories of psychology discuss organizational psychology in a local context. Accounts that center upon countries such as Canada, India, Australia, and New Zealand note significant Anglo-American influence on the development of ideas and practices from the Second World War onwards (Webster 1988; Bhawuk 2008; Haig and Marie 2012; Nixon and Taft 2013; Warr 2014; Carpintero 2017). Moreover, while some have suggested that American psychology was "parochial" until relatively recently (Triandis 1994 as cited in Warr, p. 82), recent historical research indicates that organizational psychology was shaped by new ideas and practices from Britain during the Second World War and postwar era (Burnes and Cooke 2013; Warr 2014; White 2016). This chapter thus covers the history of organizational psychology in the UK, which offers lessons in its own right and will enable the reader to trace its influence in other places in future reading and research.

The Early Years: Applied Psychology Before the Second World War

The application of psychological analysis and methods to the workplace has a long history. Some histories of organizational psychology locate the roots of the field in the studies of individual differences arising from Darwin and Galton's work and the studies of fatigue that were influenced by the concept of entropy and the laws of thermodynamics (Rabinbach 1992; Kozlowski 2012; Vinchur 2018). Carpintero's history of organizational psychology situates the foundations of organizational psychology in the scientific study of work organizations in the late nineteenth century (Carpintero 2017). Vinchur's account of the early years covers the period from the late 1800s to the early 1930s, and likewise, the chapter in Koppes' book discusses influential figures such as Walter Dill Scott, Hugo Münsterberg, and Walter Van Dyke Bingham, whose work took place before the 1930s (Koppes 2014; Vinchur 2018). In 1932, in what is often considered the first organizational psychology textbook, Morris S. Viteles wrote about the history of the field. He discussed factors such as social trends, an economic emphasis on efficiency in industry, and the growth of interest in experiments and individual differences that gave rise to the field (Viteles 1932).

Specific focuses within organizational psychology have had their roots traced back to the first half of the twentieth century. In terms of research into individual differences, one of the largest-scale early applications was that of the Alpha and Beta tests administered by Robert Yerkes and colleagues during the First World War (Carson 1993; Koppes Bryan 2012; Carpintero 2017). The Hawthorne Studies into attitudes and motivations of workers took place in the 1920s and early 1930s, and have been mythologized in many histories of management since then (Gillespie 1993; Gale 2004). They are one of the best-known examples of organizational psychology research and are discussed elsewhere in this volume (▶ Chap. 23, "Spontaneity is the Spice of Management: Elton Mayo's Hunt for Cooperation" in the chapter by J. Muldoon).

In Britain, notable efforts to apply psychology to organizations included studies of morale and employee attitudes at the Cadbury and Rowntree works, led by psychologists such as Charles Myers, who founded the National Institute of Industrial Psychology in 1921 (Bunn 2001). The Industrial Fatigue Research Board was created in 1918 and followed by the Industrial Health Research Board. Figures such as Lyndall Urwick, Frank Watts, and Clarence Northcott all researched and published works in the field of human relations before the Second World War (Guillén 1994; Ussishkin 2011; Weatherburn 2019).

So, with these developments taking place in the first half of the twentieth century, why might the "golden age" of organizational psychology span the 1940s–1970s? Koppes explains that by the end of the 1930s, "psychologists had developed the basic infrastructure for applications in business and industry" and that "the groundwork had been laid for greater concern with employees' place in the workplace" (Koppes 2014, p. 30). The period that followed was one in which psychologists built upon these foundations, staking their claims to expertise and increasing the remit of their field.

Organizational Psychology at War

The Second World War provided opportunities to make significant inroads in this regard. As the nation mobilized to engage in total war, British psychologists sought new outlets for their expertise. Though there was little demand for psychologists' services initially, it was not long before the success of German Blitzkrieg caused alarm and a sense that, for Britain to survive, it would need to ensure that its human resources were used in the most efficient possible way (1942). There was a sense that, during the First World War, many technically able men and potential leaders had wasted their time or been killed while in roles that did not utilize their skills (Bruton 2013; ▶ Chap. 24, "Organizational Psychology and the Rise of Human Resource Management" by J. Muldoon, this volume) and there was a fear that this was beginning to happen again in the Second World War. *The Times* published an article decrying that "weapons and equipment are wasted [because] sufficient corresponding attention has not been paid to the best methods of attaining an equal standard in the human component of the Army" (1941) and William Beveridge was charged with investigating how efficiently the nation was deploying its people.

Influential up-and-coming leaders in the British military, such as Sir Ronald Adam, sought out experts to help with efficiency and also to enable them to say that they were doing something to remedy shortcomings (Crang 2000; French 2001; Field 2011a). In this context, psychologists from different backgrounds justified their entry into new spheres of work. Initially, their work concentrated on selection, testing, and dealing with problem individuals.

Selection in the Services

Frederick Bartlett headed the psychology program at the University of Cambridge, and he and his staff were chosen to assist the most prestigious of the forces, the Royal Air Force (RAF), with solving various personnel problems such as fatigue, personnel selection, and training. Bartlett's prewar work had been predominantly laboratory-based, testing for cognition and perception. This made his group well-suited to the task of assessing whether potential airmen would be capable of performing specific tasks required of them under specific circumstances, such as under the influence of amphetamines. In 1941, Bartlett resigned after the Air Ministry demanded proof of the military usefulness of his work, which he took as a personal insult. He was replaced by Edward Alexander Bott, who came from Canada to lead psychological research in the RAF (English 1992).

Psychologists from the NIIP such as Alec Rodger and J.G.W. Davies became consultants for the British Navy and built upon their prewar work in career counselling and aptitude-testing by creating tests to allocate servicemen and women to appropriate roles (Vernon and Parry 1949). A general selection scheme based on their methods was rolled out in the Army too, where a Directorate for the Selection of Personnel was created to oversee testing for specific capabilities for qualities such as intelligence, agility, following instructions, mechanical, mathematical, and verbal aptitude (1944; Crang 1999). Specific tests were devised for roles such as Morse-code operators, where the ability to perceive the differences between sounds was vitally important. This form of selection, which focused on the rank-and-file soldier and allocating people to jobs they might not have tried before, built on prewar work, where the NIIP had been involved in selecting machine-operators based on their dexterity and mechanical aptitude and helping school-leavers who did not yet have workplace experience.

Psychological methods for selecting people for specific technical roles were swiftly put into place but one significant personnel challenge to the British military remained well into 1942: the selection of officers. The popular perception was that Army officers were chosen from those who wore the correct "old school tie" and had attended elite private schools. The supply of competent men from this source was running low and capable men from other backgrounds were overlooked or had been put off from applying for commissions. The scientific approach of psychology offered hopes of a way to remedy this, promising to select based on potential and merit rather than class.

Most British psychologists were busy selecting rank-and-file soldiers, sailors, and airmen though; they had no tests ready to deploy to measure leadership ability and reputations to lose (Vernon and Parry 1949; Ahrenfeldt 1958). So remarkably, it was psychiatrists who played a significant role in investigating what made someone "officer material." Psychiatrists who had specialized in maladjustment investigated "problem" officers who were failing to perform as expected in leadership roles. Many of the people conducting this work were affiliated with the Tavistock Clinic, such as John Bowlby and Wilfred Bion. They began by making suggestions about managing or reallocating these difficult cases before moving on to test new methods for selecting potential leaders to avoid ill-suited people being chosen in the first place (Thalassis 2004; White 2016). Psychologists such as Eric Trist, Isabel Menzies Lyth, and Harold Bridger did play a key role though, developing tests specially adapted to select the most intelligent people rather than merely filter out those at the bottom of the scale.

The work of the Army's psychological staff resulted in the creation of War Office Selection Boards (WOSBs), which featured intelligence tests, personality "pointer" tests, group tasks, and discussions (which became known as Leaderless Group tests) (Vinden 1977; Crang 2000; White 2016). WOSBs were tested by being used on people about to complete officer training, whose "officer potential" had already been established by Army leadership to use as a yardstick by which to measure the new methods, which they considered a success because they met expectations about what made a good officer. Similarly, Bartlett noted that the RAF liked the tests he provided them because they achieved the same results as were already being achieved but "in less time and with less difficulty" (Bartlett 1942). The candidates themselves also approved of WOSBs; they felt they received useful advice on their abilities and potential even if they did not pass.

With War Office approval following the successful pilot, the WOSBs scheme very rapidly expanded, with boards established around the UK for men and for women, and then around the world to select leaders in British Army units positioned overseas. Bott adopted similar selection methods in the RAF, and Boards were set up for what were seen to be special cases in the Army, such as selecting young men to attend accelerated university courses that would lead to commission on graduation, selecting artillery officers, and selecting repatriated prisoners of war (POWs) who might be able to return to service (White 2016).

Planning for Demobilization

Though its application was popular with Army modernizers, the press, and the common soldier, some people had concerns about the increasing influence of organizational psychology. The psychological basis selection that made it an appealing solution to the Army's problems led to criticism from other psychologists, who questioned the WOSBs' scientific validity and the competence of the staff administering them (Vernon and Parry 1949; Ungerson 1950; Field 2011b). However, the same critics tended to acknowledge that the WOSBs were tremendously successful in changing perceptions of the organization, helping the Army to appear more modern and forward-thinking, and that they solved the most pressing "officer problem" by significantly increasing the number and quality of officer candidates available.

If psychologists were concerned about what applied psychology might do to the reputation of their discipline, Prime Minister Winston Churchill was aghast at the thought of what psychologists might be doing to his armed forces. He initiated an Expert Committee on the Work of Psychologists and Psychiatrists to investigate their work, with the hopes that it would prevent them from asking inappropriate or probing questions. Ronald Adam, who sought to modernize the British forces, saw to it that people amenable to social science methods such as Stafford Cripps participated, and soon the committee vindicated the psychologists work. The committee then began to look to future applications of psychology. They divided the spoils of war by agreeing that laboratory studies were Bartlett's domain, that any future technical selection and counselling work should be the remit of the NIIP psychologists and that selecting managers was best suited to the Army psychologists and psychiatrists.

Only 6 months after the Expert committee was established, representatives from the Ministry of Labour and the Civil Service were being invited to see the new techniques of selection in action and appreciate the potential value of psychology to employers. Various influential figures were also invited from companies such as Unilever. The minutes of this committee offer insight into the way that organizational psychologists explained and justified their practices, carved out niches for their work, and established connections with organization leaders who could employ them and sustain them in their new roles after the war (White 2016).

Psychologists had the ideal opportunity to demonstrate their ability to apply their military experience on demobilization via their work with returning POWs. They argued that these men would need assistance in returning to democratic society and that society would need assistance in accepting them back. The military was already experiencing difficulties with some returning POWs, and psychologists warned heads of industry that returning men who did not adjust well would be difficult employees to manage who could potentially direct their dissatisfaction into revolutionary fervor or disruptive, criminal acts. The Army sanctioned the creation of a psychological scheme to manage the POWs' return, and numerous industries agreed to participate. The resulting collaboration was Civil Resettlement Units (CRUs), which brought together experts and practices from selection, social work, counselling, and career guidance. Like the Expert Committee, the CRUs functioned as a bridge to take organizational psychology beyond the military and into peacetime contexts.

As the variety and scale of military psychology projects indicate, war acted as a turning point for psychologists and enabled them to apply their ideas not just on a new scale but also in new ways. Military historians have described the influx of psychological experts into the Second World War British military as a move on the part of new leaders looking to modernize the organizations, especially in the case of the Army (Crang 2000; French 2001; Field 2011a). What is often overlooked is why the military opted for psychologists rather than other forms of expertise, and why psychologists might want to do this sort of work. Psychologists offered the appearance of a scientific new approach, even when held to produce the same sort of results as older systems, just on a different scale. They proved their practical credentials by working with and within large organizations to develop large-scale programs that built on existing methods and expertise. Hundreds of thousands of men and women underwent psychological testing to be allocated to a suitable role. Even just to operate the various schemes, a great number of people had to be trained in psychological principles and methods to administer the testing programs. Previously, most psychologists in Britain had been confined to often short-term investigations of specific problems that organizations faced, "problem" people or groups, school-leavers, and factory hands. With the need to mobilize the entire country under conditions of total war, psychologists were able to select people for many different roles, and even investigate leaders and question what made a good manager. Moreover, they took every opportunity to ensure that business leaders were aware of their work. Organizational psychology had begun its boom.

Patronage and the Professionalization of Organizational Psychology

At the end of the war, one psychologist explained in wonder that the psychologists who had gone to work with the military "may have no profound grasp of psychopathology, but they can teach us something in the way of practical psychology. . . in the practical handling of negotiations" (King 1989). This epitomizes both the advances that had been made by organizational psychology and the skepticism with which it was still viewed by academics. After the war, organizational psychologists in Britain flung them into establishing their organizational work as a respectable field of scientific endeavor by establishing research institutes and groups, ensuring that their work could be published, and securing funding.

The Tavistock Institute of Human Relations (TIHR) was officially founded in 1947 with the support of a grant from the Rockefeller Foundation. The TIHR was created by psychologists and psychiatrists who had worked with the British military and who were keen to continue their organizational studies. Long before the war, Tavistock staff had expended lots of time and effort in seeking Rockefeller funding, competing with the psychiatrists at the Maudsley for patronage (Jones and Rahman 2009). It was the interdisciplinary and organization-focused approach they developed during the war that finally enabled them to secure it. External funding for research most often supported projects that were interdisciplinary and problem-focused (House 2008). Organizational psychology benefitted from this funding because its foundations lay in practical problem-solving involving teams of experts working with organizations. The 1945 funding proposal to the Rockefeller contains the first proposal bringing together all of the components that would come to be defined as organization development (Burnes and Cooke 2013), which would later be popularized by the group surrounding Kurt Lewin.

The relationships established with industry leaders and influencers during the war provided valuable sources of income and projects for research after the war beyond Rockefeller too, which was crucial to the TIHR's survival. Right away, the Post Office asked for help with personnel problems and asked for help with selection and training, and Unilever asked Bridger to help them develop a WOSB-like program to select managers (Trahair 2015). Soon afterwards, Stafford Cripps formed a Productivity Committee with a Human Factors Panel administered by the Medical Research Council, which funded several projects led by psychologists who had worked on WOSBs, including the Glacier Project and the Longwall Coal Mining Project (Trist 2008).

Elliott Jaques headed the project at Glacier Metals, where he and his team studied psychological factors in group morale, productivity, stress, and attitudes. With this project, as with the military work and the subsequent TIHR research, an "action research" technique was used that involved collaboration with the people in the organization that has requested the consultation on everything from what the problems are that exist, how problems might be resolved, and even how this should be written about afterwards. Significant findings from the Glacier Project were that people become frustrated when their roles and status are unclear, and people in managing positions sometimes avoid responsibility and exercising their authority by delegating too much (Hickson and Pugh 2012; Jaques 2013). Jaques also went on to theorize about the relationship between time-periods that people were trusted to work independently and how their pay should correspond (Hickson and Pugh 2012).

The Mining Project run by Eric Trist was much more difficult to establish than the Glacier Project. The Coal Board was perplexed that, despite having brought in expensive new technology that had significantly increased production in America, productivity was not increasing in British mines: in fact, the opposite was true as absenteeism and group rivalries arose. One of Trist's research fellows, Ken Bamforth, had been a miner and was able to get his former pit in Yorkshire to agree to participate in a study of a mine using the new technology. They found that social systems were considered completely separately from technical systems and argued instead for a socio-technical approach that incorporated the ways that people liked to work and found rewarding with methods that enabled them to operate new machinery (Karwowski 2006). They created smaller groups of workers using a variety of skills and allowed workers to select their team members. The Divisional Board soon shutdown the project because of concerns about publicizing the information that some pits had autonomous working groups. The same thing happened in the East Midlands. Finally, James Nimmo (a Pembroke alumnus, like Trist) agreed for them to conduct research in Durham, where they also had the support of the National Union of Mineworkers (1955; Guillén 1994; Trist 2008).

Keen to establish whether the socio-technical system would be applicable in other places, Trist agreed that he and his colleague Kenneth Rice would work for Gautam Sarabhai to resolve issues at his Ahmedabad calico mills (Trahair 2015). Trist worked on the selection of executives in London and Rice went to India to investigate whether implementing autonomous groups would improve performance. The groups involved in the study from the outset agreed to the experiment and performance increased, but some managers in other locations and newly appointed managers refused to implement the autonomous working groups (Miller 1975).

Whether or not you agree with their findings, these studies have had a significant impact on the field of organizational psychology, introducing new research focuses on attitudes to periodicity and the relationships of people to technology.

Publicizing New Work in Organizational Psychology

As Muldoon explains elsewhere in this handbook, the academic spread of human relations was limited in the 1930s because there were very few academic jobs and journals to maintain the research (▶ Chap. 23, "Spontaneity is the Spice of Management: Elton Mayo's Hunt for Cooperation" by J. Muldoon, this volume). By the late 1940s, the practitioners of human relations and organizational psychology had learned from these prewar difficulties and did all they could to publish papers on their work and establish a respectable scientific reputation among their peers as well as among the businesses and organizations who used their consultancy services.

In 1947, Tavistock Publications was founded to publicize the research of the Institute and in the same year, the TIHR and the Research Center for Group Dynamics (initially based at MIT and then at the University of Michigan) collaborated to produce *Human Relations*, which became "the leading journal in the field of organizations for almost two decades" (Guillén 1994). Eric Trist described the journal as one of the actions that the group took "to get a reputable name for the Tavistock Institute" because their articles "wouldn't have been accepted by any of the other British psychological journals" (Trist 2008). Paul Edwards' recent analysis of the journal's early contents seem to bear this out, noting that the majority of articles had very few citations and only half had any discussion of research methods (Edwards 2016). Cooke and Banerjee go so far as to argue that rather than simply being an outcome of the relationship between the TIHR and the Research Center, the journal was the boundary object around which they formed their alliance (Banerjee and Cooke 2012).

Despite the existence of the journal, the psychologists still often found it difficult to publish their work because of the nature of their consultancy projects. Rice was blamed by Jaques for the discontinuation of the Glacier Project because Rice wrote about the work without clearing his publication with the trade union (Trahair 2015). Similarly, even after moving around three different coal mines to find one amenable to their work, Trist and his colleagues could not get them to agree to them publishing about the autonomous working groups (Trist 2008).

Conclusion

The path to professionalizing organizational psychology in Britain was not a smooth one. For the TIHR, which applied psychology and therefore lay beyond academia, there were numerous challenges: organizations broke off consultations, collaborators and other psychologists blocked the publication of findings, and funding was a continual source of concern. Nonetheless, organizational psychology grew enormously in scale and influence from the 1940s to 1970. Those working in the psychological sciences today are still concerned about how to efficiently collaborate on a large scale (Diener 2006) and the consultation projects of this earlier era offer valuable insights.

The war provided opportunities for psychologists to apply their ideas on an unprecedented scale. Their scientific approach appeared to offer something new and promising when people despaired of traditional methods to solve personnel problems such as selection and leadership. As well as offering a solution to the British military's organizational challenges, wartime work drew together thinkers that had a significant impact on organizational psychology and gave them opportunities for connections and research. The Tavistock Institute was founded out of the group who created the WOSBs. Canadians Edward Bott, Brock Chisholm, and Eliot Jaques also worked on the WOSBs and went on to make substantial contributions to organizational psychology. Thousands of others were trained in psychological principles and methods to carry out psychological testing, and hundreds of thousands underwent the testing, experiencing applied psychological methods for the first time and demonstrating that people were willing to be subjected to the psychological gaze (Rose and Miller 2008).

The selection methods have also provided remarkably enduring. The Army Officer Selection Board still in place today builds upon WOSBs methods and Civil Service Selection Boards were established on the same model. Other organizations and other nations adopted WOSBs practices too. During the war, British psychologists worked with colleagues in America to share their methods with the Office for Strategic Services (Banks 1995) and WOSB methods were adopted in Commonwealth nations including Canada and India (Copp and McAndrew 1990). Organizations ranging from fire services to consumer goods firms like Unilever adopted WOSBs approaches to selecting people for management roles (Trist and Murray 1990).

CRUs transformed how people thought about the psychology of POWs and drew more psychologists and industrial leaders into organizational psychology. These and the work of the Expert Committee showcased the possibilities of organizational psychology to people in a position to commission such projects and resulted in various consultations, projects and opportunities for the TIHR specifically and for organizational psychology more broadly over the next few decades.

The resulting postwar work is perhaps not as well-known as the iconic Hawthorne Studies but has shaped management and organizational psychology thinking. Peter Drucker has called Jaques' work at Glacier "the most extensive study of actual worker behavior in large-scale industry" (Drucker 2016). The socio-technical approach which developed from the postwar projects that ran in the 1950s and early 1960s was influential in its time and had a subsequent impact on Swedish initiatives to humanize work in the late 1960s and early 1970s, and the Quality of Working Life approach (Yousuf 1995). It has been described as "one of the most enduring products of the human relations movement" and continues to be widely used by industry into the twenty-first century (Midgley 2001; Latham 2007).

Work to establish publishing outlets, and the nature of funding in this era, from places such as the Ford Foundation, Rockefeller Foundation, the Industrial Productivity Committee, and the Department of Scientific and Industrial Research helped to support and legitimize organizational psychology (Guillén 1994) in a way that had not been possible in Mayo's era.

The development of these new theories, methods, organizations, publishing outlets, and funding opportunities from 1940 to 1970 resulted in a "golden era" for organizational psychology.

Cross-References

► Kurt Lewin: Organizational Change
► Organizational Psychology and the Rise of Human Resource Management
► Spontaneity is the Spice of Management: Elton Mayo's Hunt for Cooperation

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British Management 1950–1980

39

John Quail

Contents

Abstract

The governance, managerial structures, and functional performance of large British companies at the end of World War II had preserved intact that in existence before the War: proprietorial governance (Quail 1996, 2000), sparse or nonexistent top management, poor financial planning and control, functional silos, and weak coordination of production and marketing. The nature of and changes in British management over the period to 1980 were conditioned by the slow changes in the preexisting company culture and structure, foreign competition, the role of the State, and the resurgent City of London and finance capital leading to a merger boom and great increases in the size of businesses. The general story is of a slowly increasing managerial professionalization and capability emerging during an escalating crisis of competitiveness into the 1970s and beyond. At the same time developments in company law, state regulation and intervention, and activist finance began to create a new environment within which managements had to operate and which conditioned managerial structures, skills, and priorities. In short by 1980 a managerial revolution of a kind was emerging within the firm but operation remained constrained by tradition and the external forces of financialization and global competition. The chapter starts with a general description of the business context within which management operated including a brief

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analysis of the prewar "inheritance" in terms of firm governance, organizational structures and recruitment, and the relative performance of UK business in an international context. There then follows a more detailed account of UK governance and management structure recruitment and performance. The general conclusion is that by 1980 preconditions for a possible managerialist transformation of UK business were being established.

Keywords

UK management structures · Proprietorial management · Managerial capacity · Slow management change

General Business Context at 1950

The position and prospects for UK management and managers in 1950 did not look immediately promising. The 1939–45 War had seen immense efforts in production, in technological innovation, and in mass production. Yet in the process it laid bare huge deficits across UK industry in capacity, skill, and organization. Barnett, for example, gives numerous examples of poor performance, poor quality management, and poor management of quality, frequently quoting UK government sources (Barnett 1986). The organizational incapacity revealed does not come as a particular surprise, however, if one considers the governance, organizational structures, and skill sets of the overwhelming majority of UK companies in the interwar years. The problems stemmed primarily from UK company governance structures which were based on the requirements of UK company law which originated in a strict separation of office holders/employees from the board – designed as an elected committee of shareholders working for the interests of the body of shareholders as a whole. As firms grew and became more complex, committees of directors were formed to oversee parts of the business with departmental officers in attendance as when required. Boards were generally part time though the Chair would often be in more frequent attendance, sometimes even full-time. The 1908 Companies Act permitted the appointment of managing directors who were also not required to be full time. The result was that there was generally no full-time professional top management below the board and interdepartmental coordination was largely ad hoc. As the scale and scope of business expanded in the interwar years the internal organizational responses to the imperatives of complexity and growth were grudging and minimal (Quail 1996, 2000). With a few – a very few – exceptions, Scientific Management was not adopted by UK industry. Smith and Boyns conclude that in the great majority of cases British managements applied piecework systems rather than planning systems, organization design, and management task definition and ignored planning with objectives and targets (Smith and Boyns 2005). Marketing in the interwar years became cumulatively managed by Trade Associations, cartels, or other restrictive agreements (Mercer 1995, passim).

Recruitment of managers in the interwar years, and indeed after the war, was nepotistic and, where it was not, largely privileged public school boys. The Acton Society Trust found in 1956 that less than 10% of managers born before 1895 were public school educated but this increased to 30% of managers born between 1920 and 1924 who would have started work aged 16 or so around 1940. Once recruited, the same source says, public schoolboys were more likely to achieve promotion and rise to top management than entrants from other types of schools (Acton Society Trust 1956). There is a not inconsiderable literature boosting the leadership qualities and moral character of the public schoolboy for industrial management despite considerable evidence raising serious doubts on their commitment and ability (Quail 1998). International economic rivals like Germany or the United States recruited relevantly qualified graduates for industrial posts. That public schoolboys were considered suitable managerial material after what has been called a "Cook's Tour" of the firms various departments followed, if lucky, by a personal assistant appointment to a manager (Keeble 1992, p. 141) is as much a statement about the limited amount of knowledge and experience apparently considered necessary as it is about patronage-based recruitment.

A partially and then fully protected and cartelized economy in the 1920s and 1930s followed by the closed economy of World War II left UK business with rather less than optimal managerial resources and a maladaptive business culture as it faced an evolving and competitive global economy after the war. Nevertheless "[a]t midcentury, and after the catastrophic disruption of World War II, Britain accounted for 25 percent of world manufactured exports compared to 27 percent for the United States, 9 percent for Germany and 3 percent for Japan..." (Jones 1997, 112ff). Figures for overall UK Gross Domestic Product per hour worked show that while the UK had fallen behind the USA by 1900 it was not until 1970 "that the other large European economies reached British levels...." But while "(d)uring the 1950s and 1960s British productivity grew at a much faster rate than for decades... it grew much faster still in in most of Western Europe and Japan [who between the 1950s and 1973] narrowed the large technological gap which had existed between themselves and the United States" (Jones 1997, pp. 112, 113). The consequence was that by 1975 Britain's share of world exports was 9% (Jones 1997, p. 113), resulting in increased import penetration. "In 1983 for the first time since the Industrial Revolution, Britain imported more manufactured goods in value than it exported" (Jones 1997, p. 113). The fate of some sectors was striking: cotton textiles lost most of their export markets and faced great import penetration. In 1950 the UK produced one-third of world shipping output "but 30 years later British shipbuilding was a marginal force in the world industry." In 1950 "the country was the world's greatest car exporter ... But over the next decade export markets were steadily lost" imports began to grow – 5% in 1965, 33% by 1975 (Jones 1997, p. 114). British passenger car production fell from 1.9 million to 880,000 between 1972 and 1982 (Jones 1997, pp. 112–117).

The reasons advanced for this reverse were generally poor management, labor recalcitrance, or foreign competition. Management performance will be a central theme in later sections but during the years 1950–80 labor was a particularly popular object of criticism. The US ambassador to London in the late 1940s opined that "the only answer to Britain's problems is to work harder and, I fear, for less." A historian of the Marshall Plan comments: "In subsequent years popular discussion of productivity in British industry rarely rose much above this level. During the 1950s British employers would join the chorus and, with considerable success, lay the charge of sloth at the door of organised labour" (Carew 1987, p. 136). By the 1960s and 1970s this charge, it is persuasively argued, provided deep cover for bad management policies, decisions, and practices (Williams et al. 1983, pp. 251–258).

The use of productivity – GDP per labor hour – as the key measure of industrial efficiency can tend to privilege a labor-centric focus and ignore other highly relevant structural and institutional factors. A wider and rather more convincing analysis of British industrial failings is given by Williams et al. in their "Why Are the British Bad at Manufacturing?" A loose summary of their approach would that the problem of foreign competition faced by British firms was compounded by difficulties in accessing investment and a takeover boom in our period but were largely the consequence of the failings of management. The "distraction effect of bad working practices and labour disputes is less important than commonly supposed. Ineffectual management is immediately responsible for the non-price deficiencies of British manufactures" (Williams et al. 1983, p. 46). The areas of weakness are identified as the absence of "enterprise calculation" (essentially a combination of research, strategy, and planning), a lack of understanding of the nature of the changing national and international "composition of demand," and the consequential failure to design, produce, and market saleable goods. On top of the "problems of differentiated national demand" UK enterprise faced "problems of international distribution" (Williams et al. 1983, p. 48). British shipbuilding declined because, with the exception of one company (sic*!*), British shipbuilders continued building relatively small bespoke vessels for British shipping companies while developing world demand was for much larger standardized and mass produced vessels. UK overseas car sales were undermined by poor distribution, marketing, and servicing (ibid., pp. 49–58). These internal deficiencies were compounded by difficulties in accessing investment and the disruption caused by a merger boom starting in the 1960s. Meanwhile it is asserted that "after our review of the evidence and arguments about labour productivity and costs we could conclude that British industry's workplace performance is quite reasonable. The evidence shows that [UK] labour productivity performance is respectable in relative international terms" (Willams et al., p. 41).

The Chandler argument that the failures in UK enterprise stemmed from the failure to build multidivisional organizations with a top strategic management making investment decisions is considered overly simplistic and rigid by Williams et al. Citing Kantor, they say it is essential to have improvisation and innovation at middle management levels which provides the strategic options, appraises them, and proceeds to manufacture and marketing those that are approved by a top management exercising "enterprise calculation" (Kantor 1982). These are the necessary precondition for success. "The quality and marketing of UK manufacturing products has nothing to do with labour disputes and is the province of senior management."

The "distraction effect of bad working practices and labour disputes is less important than commonly supposed. Ineffectual management is immediately responsible for the non-price deficiencies of British manufactures" (Williams et al., p. 46).

The role of the UK government in the postwar economy was initially spectacular with the Labour government's program of nationalizations. But more generally the postwar Labour and Conservative governments did not pursue an activist industrial policy "except those considered essential for national security and national prestige: aircraft and computers. Apart from Rolls Royce (jet engines) US companies with huge domestic markets largely overwhelmed the UK aircraft and computer industries. . .there was no industrial policy" (Owen 2009, p. 50). The British state did however take a more activist role in competition policy. The post–World War II boom engaged an industry structurally indistinguishable from the prewar years. Indeed the War had strengthened the power of the already pervasive trade associations which had acted as intermediaries between government and industry during the war. Retail Price Maintenance had effectively stopped price competition in many areas of activity (Mercer 1995, p. 141). The British government became concerned and it was a wartime coalition government's 1944 White Paper that put down a marker that "Employers. . . must seek in larger output rather than higher prices the reward of enterprise and good management. There has in recent years been a growing tendency towards combines and toward agreements, both national and international, by which manufacturers have sought to control prices and output, to divide markets and fix conditions of sale. Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole (BPP 1943–44, quoted Mercer 1995, p. 54). The responsibility to see this through passed to a Labour government in 1945 given extra impulsion "when the incoming Attlee administration found itself with the urgent necessity of increasing productivity to close the post-war dollar gap and ensure economic survival" (Francis 1992, p. 1). As Mercer puts it: "[b]y 1945. . .the tenacity of potentially price-fixing and output-restricting trade associations presented a contradictory force in an expansionist world economy, while the trade associations themselves formed a formidable *political* barrier. . ." (Mercer 1995, p. 35).

Legislation was inevitable, the more so as the US pressure grew to remove national and international cartels in its postwar sphere of influence. The result, the 1948 Monopolies and Restrictive Practices Act did not work well; the outcome was muffled and ineffective due to industrial resistance and minimal powers in the Act to gain information and enforce compliance. Further legislation by the successor Conservative government, the Restrictive Trade Practices Act 1956, was more successful and required "the registration of all agreements between two or more persons producing, supplying or processing manufactured goods which fixed prices and discounts, allocated quotas and markets, or stipulated methods of manufacture" (Mercer 1995, p. 126). The Registrar was empowered to refer such agreements to a powerful Restrictive Practices Court. If the Court found agreements restrictive they became automatically void. However, the Act in practice only affected cartels while large firms "in monopolistic positions or using monopolistic practices [were] often specially exempted from legislation" (Mercer 1995, p. 127). The result was that the Act did not "create a paradise of free atomistic competition" (which may have been initially intended) "but, in the long run . . . contribute[d] to the overall tendency of twentieth-century British business towards concentration and oligopoly" (Mercer 1995, p. 125) through anticompetitive mergers.

It was not the only force easing the path toward concentration. A clause in the 1948 Companies Act, whose wider potential appears little noticed at the time, stated that any director could be removed by an ordinary resolution of the shareholders. Directors had hitherto generally been subject to periodic re-election at company Annual General Meetings of shareholders but this new power for shareholders meant that the balance of power between shareholders now effectively presented as "owners" and directors as their "employees" had shifted very significantly: it enabled hostile takeovers that could immediately remove sitting directors and insert others (Segrestin et al. 2018). Previously, outsiders intending to acquire a majority of voting shares would have had considerable difficulty in doing so and, if successful, would have been involved in protracted trench warfare with sitting directors. As the City of London recovered after wartime restrictions were lifted and the quantity of ordinary stock in circulation and in the hands of financial institutions increased, the enhanced power of shareholders allowed hostile takeover to flourish, further increasing the tendency toward concentration and the growth of firms.

Before consideration of the spectacular growth of firms in the period 1950–80 it is prudent to first set out the particular – and peculiar – make-up of UK companies' capital and revenue structure in this period. Unlike European and US companies that relied heavily on bank lending to finance current capital expenditure, UK companies had much less access to this source because the security required was based on a liquidation approach, namely fixed assets. European, Japanese, and US banks used a more liberal going-concern approach monitored via a series of liquidity and gearing ratios (Williams et al. 1983, p. 69). "To a remarkable degree British companies have financed investment out of internally generated funds, [the Wilson Committee] showed that from 1964 to 1975 retained earnings averaged 70 per cent of total funds available" while "the banks and the stock exchange supplied roughly equal proportions of the 25 per cent of available funds that were externally provided." The stock exchange finance was debt (debentures) rather than equity (Williams et al., p. 59). "British companies did emerge from the Second World War flush with liquid assets, and reserves were considerable through the 1950s. . . But by the mid 1960s this liquidity reserve was exhausted. . . From the early 1960s onwards therefore, the sustainable rate of expansion in the corporate sector depended on profit, or the surplus earned on existing assets" (Williams et al., p. 61). However, the average rate of profit in British manufacturing dropped from approximately 13% in 1960 to 3% in 1978 (Williams et al. 1983, p. 63). The implications were emphatically restrictive. However, in the particular circumstances of UK enterprise calculation "assets double as production and financial assets. Enterprises may therefore pursue trading profit or growth through the purchase of assets as well, or instead of, using those assets to produce final products" (Williams et al., p. 77). The lack of liquid funds from profits led to takeovers financed more or less entirely by new issues of shares by acquiring companies. This enabled a great increase in firm concentration; Prais shows that by 1970, 100 firms were responsible for half of UK manufacturing output – in 1958 this had taken 420 firms (Prais 1976).

Whether from the perspective of efficiency and rationalization of production or increased profits the results were disappointing. Meeks' study of approximately 1000 firms shows that the profitability in the 7 years after merger in the majority of cases was below the sum of that achieved separately by the premerger firms in the 3 years before merger (Meeks 1977).

The end of the 1970s, therefore, presents a landscape of much larger firms, performing less well financially, faced with difficulties in raising finance and the task of optimizing the structure and performance of their companies in a world made more difficult by the depressed economic situation following the dramatic rise in oil prices in 1974 following the formation of a cartel of Oil Producing and Exporting Countries (OPEC). An influential 1970s management history literature, however, accentuates the positive picture of the ownership, strategy, and structure of UK firms finding it closer to the American than any other European economy in terms of company size, separation between ownership and control, and adoption of the multidivisional structure (Channon 1973; Hannah 1976). The actual capacity and performance of the new greatly enlarged firms to perform like the large US multi-divisional companies is very questionable, however, as Meeks' study suggests, and requires further examination of the relation of firm structure to firm performance.

Business Management: Structure and Performance 1950–80

In general terms the physical and ideological structure of UK companies at the beginning of the postwar period was, as we have seen, that the directors and managers of a company were sharply different in status, and there was no top management structure below the Board, coordination of departments being the responsibility of a managing director or through board functional or departmental committees. Contemporary early postwar commentary from members of the small UK-managerialist avant-garde is helpful in identifying both the scope for and limits to change. Lyndal Urwick's 1954 pamphlet, *The Load on Top Management – Can It Be Reduced?*, asserts that the size and complexity of companies has grown immensely. The consequences for the "top manager" are the increasingly difficult requirement to coordinate/reconcile the managers of different and growing number of specialisms involved, together with relations with employees, customers, and government as well as ensuring smooth production and disruptive innovation. (This reference to a "top manager" is interesting because it easily applies to the US CEO or European structures but points an accusatory finger by implication at the UK managing director or chairman/proprietor and the more diffuse command structure of UK companies).

There follows a set of recommendations for adapting the organization for the new circumstances:

- Adopt a formal organization pattern with exact definitions of jobs and functions
- Divorce policy making (the Board) from execution (the Management)
- Separate research on policy making from policy execution
- Unify ultimate responsibility in a single chief executive
- Provide specialist assistance for industrial relations
- Provide specialist assistance for public relations
- Provide expert general staff assistance to the CEO

Finally the “separate businesses” within the firm should be decentralized – a reference is made to General Motors, implying a divisional structure.

This list would appear to encompass everything the great majority of large UK. Businesses were **not** doing with the exception of the separation of the board from management which was endemic and not noticeably accompanied by synergy. The assumption that UK boards generally had the capacity to develop policy in a form that was executable by management was optimistic. Nevertheless it was not impossible. A notable case is the United Steel Companies. The company published an admirably professional and clear series of lectures by its senior staff to the Engineering School at Cambridge in 1953 complete with organization charts, investment and financial planning systems, budgetary control, company structure – originating in a merger of four companies which had evolved into a decentralized structure somewhere between the functional and divisional form – and research, staff recruitment, and training (United Steel Companies Limited 1953).

The kind of practical problems of growth and complexity where expansion is rapid and innovative are addressed by Charles Renold in his pamphlet *The Organizational Structure of Large Undertakings – Management Problems* (Renold 1949). Renold, an owner/employer and a pioneer in management practice and management education, addresses the growth of his company involving an increasing diversity of specialisms and markets and dispersed operating units. The consequence is a growing difficulty of centralized management particularly when “several levels of authority have to be recognised and you have a multi-tier structure.” One major difficulty is the communication of the “feel of the situation” from the units to the top. Another is establishing that the delegated powers from the top to the unit are being used correctly. The internal functional hierarchies must not be turned into spies. The choice appears to be between a new body of internal advisors or commissars, and is not resolved. These rapid changes are taking place in an organization which had emerged from a merger of three firms before the War to form what appears to have been a true M-form but which rapid development now appeared to be disrupting. The paper is of particular interest because of its uncertainty given that Renold had established a high-quality budgetary control system between the wars which would have seemed adaptable as company-wide corporate plan and out-turn method subject to audit. In any case the firm survived and prospered.

It would be wrong therefore to conclude that British Management was trapped entirely without options by its historic legacy. Indeed at board level there were shifts in perspective. *The Director*, the journal of the Institute of Directors, suggested that the composition of company boards and the role of the director were shifting to a merging of director and managerial roles to some degree. In a discussion on the appointment of a replacement when a part-time director retires, it is stated that full-time executive directors expect the "place to be filled from inside by a full time executive" and that there "is a noticeable tendency, particularly in manufacturing industry for the proportion of of full-time members of company boards to increase" (Copeman 1952a). The proprietorial standing of a directorship and the necessity for a new director to take up "a large holding" of shares was questioned: "If this were done it would limit the scope of appointments. Many suitable candidates had very little capital" (Copeman 1952b). A manufacturing employer wrote "If trend there be today, surely it is toward a board composed perhaps a majority of executive directors, with a number of non-executive directors who can bring not only other and perhaps wider experience but also a measure of detachment" (Tyzac 1960). There was also some anecdotal evidence of increased mobility up managerial hierarchies and from senior management to the board (G H Copeman, *The Director,* Vol 4 No.1, Oct 1952).

This is consistent with other evidence on the declining role of inherited positions in British companies: the proportion of founders and inheritors among chairmen decreased from 21% in 1907 to 4% in 1989, and for managing directors from 34% to 2%. Eight percent of the top 100 industrial companies were under personal ownership in 1983 and 4% in 1993. But social mobility did not ensue: business leaders, in the nineteenth and even more so in the twentieth century, were in their overwhelming majority (around 80%) recruited from the upper and upper middle classes – landowners, businessmen, senior civil servants, and professionals, and in the 1960s, more than half were themselves sons of businessmen. By the 1990s, however, there was "a sharp increase in the proportion of business leaders originating from a working class and lower middle class background: 39% for the generation active 1989" (All, p. 87). By 1998 25% of the top 100 directors in 1998 had come from a lower middle and 11% from a lower class background. So the "possibility of reaching the top appears to have increased by about 10–15% for individuals coming from a less privileged background" (Cassis 2009, pp. 86–88).

The discussion so far has largely considered the governance structure of large UK companies, and the changing recruitment to senior positions within it over time. However, the environment within which UK companies were operating was particularly stormy in the 1960s and 1970s not least the growth of firms in as a result of the merger boom where the span of control lengthened considerably. It is sensible to approach the nature of the resulting organizations holistically. It is not enough to concentrate on firm structure, or to ascribe aspirational modernity to a particular organizational form like the M-form and award points for adopting it. Companies need to survive and prosper. Their resources in manpower, technical expertise, marketing skills, and the specifics of their existing management structure and quality govern their options. The literature is not short of surveys and studies which are generally critical in our period, particularly where comparisons are made with the capabilities of US firms.

A number of studies and surveys of this literature are usefully gathered in Wilson and Thomson (2006) and give a very downbeat picture. Firstly there was a wide variation in investment in machinery and its efficient usage, with performance generally below that of US manufacturers whose managements were superior at all levels. The variation in UK management quality is identified as the reason for the variation in productivity levels in UK firms. Management quality manifested itself in the use of budgetary control and long term planning, in greater capital investment, in production based on sales requirements rather than production dominating sales, on work study, and so on. US subsidiaries in the UK earned close to double the profits than UK companies in the period 1950–64. British top management did not coordinate or control the activities of their separate units or functions effectively, the result of a deliberate strategy of decentralization, and a reluctance to create middle level jobs with wide responsibility. This was the consequence of the holding company form favored in mergers combined with a proprietorial tradition of an aloof board membership of "'practical men' and gentlemanly amateurs" (Coleman 1973, p. 113) which was not prepared to dilute its sovereignty by significant delegations to functional or middle management (Quail 2002).

However, a rather different picture emerges from a study by Higgins and Toms of 200 UK quoted companies between 1950 and 1984 (Higgins and Toms 2012). Their aim is to "present an empirically rigorous analysis of the relationship between organisational structure and long run financial performance of British companies" using a sample of 200 companies (p. 108). The rather hectic environment in this period is illustrated by the survival rate of firms: of 3011 quoted companies trading in 1950 only 6% were still trading as independent organizations in 1984. The sample of 200 companies represents the survivors and their study supplies information on the "relationship between firms in the same industry, pursuing similar strategies but using different organisational structures and their financial performance can be examined." The study therefore gives a richer mix and wider appraisal of management performance, company form, and company survival and success. "Profit, unlike size, is more readily compared through time and is more easily related to changes in economic conditions and strategy. As a measure of success, profitability does not rule out the large number of smaller firms that may represent the more dynamic sectors of the economy [and] may include the family firms and networked organisations highlighted as alternatives to Chandler's big business dominated paradigm" (pp. 86–87).

Higgins and Toms find that firms in their sample were more likely to restructure and to adopt the multidivisional form in the 1950s and 1960s than in the 1970s but this was associated with underperformance and failure. Greater success in this period came with the adoption of the holding company. Post 1970 proportions were reversed: greater than 60% of structural changes were associated with top performers and the change most associated with success was change from functional to holding company structures. The multidivision firms in the 1984 sample were a minority "being associated with poor performance as often as superior performance" (p. 109).

An international survey of firms in France, Germany, and the UK by Horovitz allows a more detailed appraisal of a sample of large UK firms in the late 1970s (Horovitz 1980). Horovitz studied 18 companies describing most of them as holding companies where a "small central staff overlooks from twenty to fifty subsidiaries, each headed by a managing director, each having its own products, brands and markets and the necessary logistics to operate (administration, accounting, personnel etc.) Many decisions are decentralised to the subsidiary level while central office staff and directors shape policy decisions at the group level [and] act as bankers for the subsidiaries" (Horovitz 1980, p. 54). There is some prospect of development but it is muted: of the 18 UK companies studied 6 were "holding structure with divisional domains," the latter described as "much more areas of interest than managerial centres" each domain having a chairman, "not always a full-time executive" who sits on the subsidiaries boards and the main board. A further step to order and consolidate diversification is taken in 2 of the 18 companies described as "holding structures with divisions" These are "reinforcing central staff (group services, chief of planning. . ..)" and their divisions now have chief executives with their own small staffs. Note however that "subsidiaries remain the basic product market unit." This view taken together with the findings of Higgins and Toms appears to confirm that by the end of our period the multidivisional structure was not yet a reliable option for many large companies whether from the view that existing examples had not shown promise or that the leap from holding company to multidivisional form required particular management skills that were not available internally or externally except via consultants which carried considerable risks post restructure. The absence of a recruitable body of relevantly experienced managers could well be a significant factor in the lack of success in attempts at the M-form in Higgins and Tom's survey and the tentative explorations in divisional structures found in two companies in Horovitz's sample.

The discussion so far has emphasized the limited organizational capacity of UK management structures looking particularly at their adaptability in changing circumstances. The rigidity of the proprietorial structure of the firm, somewhat modified as our period has proceeded, has shown considerable lack of flexibility and capacity for change. The question must arise as to the organizational and management skills deployed within these structures and the capacity of the managers themselves carry out in day-to-day operations and administration and to adapt and change as external circumstances to ensure survival and hopefully continued survival. The next section will consider the capacity of the managerial hierarchies within the firm.

Managerial Capacity in UK Companies 1950–80

The governance and organizational structures we have discussed so far have shown themselves to be to a minor degree adaptable, demonstrated perhaps by a modest advance in managerial recruitment and career advancement to the board and a toe in the water of divisional structures. Expectations must be therefore also modest in considering managerial organization and operational technique and their managerial performance. A number of studies and surveys give a mixed picture usefully gathered in Wilson and Thomson (2006).

Firstly there was a wide variation in investment in machinery and its efficient usage, with performance below that of US manufacturers where "the greatest single factor in American industrial supremacy over British industry is the effectiveness of its management at all levels" (AACP report quoted, p. 110). The variation in UK management quality is identified as the reason for the variation in productivity levels in UK firms. Management quality manifested itself in the use of budgetary control and long-term planning, in greater capital investment, in production based on sales requirements rather than production dominating sales, on work study, and so on. It is noted that US companies' subsidiaries earned an average after-tax profit of 15.4% while UK companies earned 8.7% in a large sample of companies in the period 1950–64.

There had been considerable efforts to use American mass production techniques in the UK after World War II which were "generally unsuccessful." The reason for this is suggested to be "because few firms had a sufficiently professional management cadre to make them operate efficiently" (Wilson & Thomson (2006), p. 112, ref to Tiratsoo et al. 2003). Granick's (1962) survey of four countries' processes of planning and control concluded that the "American advantage lay in the presence of substantial functional staffs at headquarters, whereas in Britain managerial practice did not require such staffs. . ." [quoted Wilson & Thomson, p. 112]. British top management "did not coordinate or control the activities of the separate units or functions effectively." This was a deliberate strategy of decentralization and a reluctance "to create middle level jobs with wide responsibility" This was the consequence of the holding company form favored in mergers combined with a proprietorial tradition of an aloof board membership of "'practical men' and gentlemanly amateurs" (Coleman 1973, p. 113) which was not prepared to dilute its sovereignty by significant delegations to functional or middle management (Quail 2002).

The development of trained professional management cadres in depth within the UK firm was therefore a key constituent of improved performance at both enterprise and national economy level. We have seen the structural impediments to this development working within the firm. It useful to note that government was concerned and encouraged management studies degree courses and supported the creation of two business schools in London and Manchester in the 1960s. These schools struggled to establish themselves as institutions and survived largely on foreign students (Wilson 1995, pp. 219–222) is stated elsewhere that the qualifications they produced up to 1981 tended to be used to add a credentialist gloss to more traditional patterns and privileges derived from public school and Oxbridge. Alternatively graduates moved into the developing and lucrative field of consultancy (Whitley et al. 1981). The number of undergraduates taking business courses was tiny in our period – 621 in 1970 rising to 1309 in 1980 (Quail 1999).

The numbers would accelerate rapidly in the 1980s and 1990s, however. This is a factor to add to other observations in this chapter on the increasing presence of senior managers and the decreasing presence of hereditary recruits on the boards of companies, the beginnings of divisionalization out of opportunist and loose holding companies leading to something approaching a managerial revolution in the 1990s. This story I leave to others.

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Part VIII

Management in an Age of Crisis

40 Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era

Anthony M. Gould

Contents

Abstract

Throughout the twentieth century, there have been distinctive public policy eras. Much demarcation between epochs arose because of tipping-point moments of change in overarching theory/philosophy about societal values and conjecture concerning how to instantiate such values with rules and regulation. In the contemporary era, public policy development is visceral in nature and largely undertaken based on consensus about what "feels" right. A reason for this change in emphasis concerns the long-term failure of experts and decision makers to deliver results for ordinary people; failure exacerbated by abrupt moments of crises. This book explores aspects of how the new approach to public policy creation influences management as a discipline. The first chapter is contextual. It argues that – largely because of widespread skepticism about the worth of specialists and theory and suspicion that expertise has been co-opted by moneyed interests – public policy is no longer done as it once was.

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There is no shortage of opinion about how to characterize the modern world and distinguish it from preceding epochs. Conjecture about this matter is invariably influenced by the training, theoretical orientations, preconceptions, and biases of scholars themselves and relatedly what gets established as an object of analytic interest. Of course, beyond academia there are the bewildered and alienated ordinary souls who must make their way on the postindustrial landscape. Incredible as it may seem to the wealthy and powerful, these people – of no particular importance and increasingly estranged from the forces that shape their lives – do think about things. Although they may not know about managing hedge funds or how to trade derivatives, they are acutely aware that for at least several decades it has been becoming harder to get ahead. Indeed, within our collective consciousness, there is the idea that although our forebears may have had it tougher than us in many ways, unlike us, they had something to look forward to. Hence, a distinguishing feature of modernity is that, for the majority, conditions are declining. The content of public policy – as well as the process by which it gets done – impacts this trend. It is axiomatic that the way Western law makers and regulators approach their craft has altered over several decades. There are conventional means of assessing such change as well as off the wall approaches. In the spirit of iconoclasm – and as something of a protest against the smart ones who have in various ways failed us – I prefer the latter type. I start therefore by discussing late night television. As strange as it might seem, the tonight show guys are saying something profound about what has happened to public policy in the West.

From 1962 until 1992, TV legend Johnny Carson was an American institution. It was hard to find anyone who had not heard of him. Indeed, with accolades including six Emmys, the Governor's Award (1980), a Peabody award (1985), induction into the Television Academy's Hall of Fame (1987), the Presidential Medal of Freedom (1992), a Kennedy Centre Honour (1993), and a posthumous star on Hollywood Boulevard's Walk of Fame, it was probably hard to find any baby boomer who had not seen his tonight show which was broadcast weekly across the United States by NBC at 11.30 p.m.

Much like his modern-era equivalents, Carson's format relied heavily on political satire. He would typically open with a monologue about the protagonists of his day, an era spanning seven Presidential administrations: Kennedy, Johnson, Nixon, Ford, Carter, Reagan, and Bush, 41. Carson was as talented and engaging as any of his successors. Indeed, the likes of Jay Leno, and David Letterman have magnanimously acknowledged his influence on themselves personally as well as on their shows' formats (Luippold 2012). However, a careful comparative analysis of Carson's style reveals a key difference between the substance of his humor and that of those who followed him. Carson's one-liners were typically about matters of personal eccentricity, perhaps with a focus on a target's misdeeds, appearance, and displays of physical incompetence. Here, in chronological order, are a few of his trinkets still doing the rounds on the Internet: "*Did you know Richard Nixon is the only President whose formal portrait was painted by a police sketch artist?*" "*That would have been a great ticket, Reagan and Ford. An actor and a stuntman*" (a reference to Gerald Ford's clumsiness and an incident in which he fell down the steps while alighting from Air Force One). "*Ronald Reagan just signed the new tax law. But I think he was in Hollywood too long. He signed it, 'Best wishes, Ronald Reagan.'*" "*Nancy Reagan fell down on the Whitehouse lawn and broke her hair.*"

Carson rarely drew on disembodied consideration of public policy for inspiration. Public policy is dry, bookish, based – at least partly – on a depersonalized understanding of abstract notions about how and why variables are related. When done in a sophisticated way, it applies a methodology. For example, typically from a well-defended construct about the way the world is, it progresses to a protocol resembling Descartes's scientific method and associated conjecture (constrained by principles of logic) about how to interpret research output and which output to interpret. Looking beyond the needs analysis, and research and development stages, regulation is drafted, moves through iterations, becomes authoritative, and is evaluated. This process is the antithesis of entertaining and contains little scope to be funny. If it were to be turned into a Vaudeville routine, it would require a certain spectator sophistication. After all, even the funniest joke about the relative merits of Monetarism versus Keynesianism will fall flat in the absence of a threshold understanding of what these terms mean. Even if this hurdle can be surmounted, public policy is not quirky. Rather cerebral and impersonal. As comedic subject matter, it is a stillborn, to use a Hollywood insider term.

Fast-forward to 2018. Modern era tonight show hosts do not overlook haircuts, sexual escapades, or general stupidity in their never-ending quest to get a laugh. The personal weirdness factor is alive and well as a source of inspiration. However, in the post-*Brexit* era – an era when the world waits in anticipation for a wall to emerge between the United States and Mexico (a wall that Mexico is going to pay for and to the other side of which illegal immigrants will soon be deported) – a new *genre* of humor has emerged. For example, here is part of a skit performed by Irish comedians, Foil, Arms, and Hog (broadcast 30 June, 2016) entitled "*WTF is Brexit*" in which two guys are talking with each other at a urinal. . ..

Guy 1: *Okay, so the UK is in Europe – right ?*
Guy2: *Yeah*
Guy 1: *So they have the Euro?*
Guy 2: *No*
Guy 1: *Oh, so they are not part of the EU?*
Guy 2: *No, they are part of the EU.*
Guy 1: *What?*
Guy 2: *Yeah, for now.*
Guy 1: *What do you mean for now?*
Guy 2: *Brexit!*

Guy 1: *What is Brexit?*
Guy 2: *It's the British exit from the EU.*
Guy 1: *So Britain wants to leave the EU? When?*
Guy 2: *According to the EU, ASAP! Well actually, just Wales and England want to leave the EU.*
Guy 1: *What about the other two? That's not fair.*
Guy 2: *Well, when the UK leaves the EU, then Scotland's going to leave the UK – and then join the EU!*
Guy 1: *And what about England?*
Guy 2: *Oh well, they are going to reconnect with the Commonwealth.*
Guy 1: *What's the Commonwealth?*
Guy 2: *The former territories of the British Empire.*
Guy 1: *So now they have an empire again?*
Guy 2: *Look, all you need to remember is that the UK is leaving Europe.*
Guy 1: *Well where the hell are they going to go, Asia?*

The above exchange has nothing to do with politicians or public figures. Rather, it is a reference to the befuddlement surrounding *Brexit*. If it is funny, it is so because the whole plan seems ill conceived and a paranoid reaction to unspecified problems that may not even exist.

Another contemporary era window on emerging comedic content concerns modern America's disquieting rise in mass murder on school and university campuses. For example, on the 20th of February 2018, following the Valentine's day shooting at Marjorie Stoneman Douglas High school in Florida in which an alienated young man with a tragic recent past killed 17 people, US President Trump floated the idea of issuing firearms to teachers as a public policy initiative. He said, "*up to 20 percent of teachers should be armed to stop the maniacs from attacking students.*" The following day he described "*a gun-free school as a magnet for criminals.*" On the 23rd February, late night comedian Steven Colbert had this to say about the President's suggestion.

"*Yes – just arm the teachers! I'm sure it's in the school budget. Sorry your school can't afford enough copies of 'To kill a Mockingbird' but good news! We're giving you something that can kill any bird.*"... "*Now Trump's idea of arming teachers did not go over well with law enforcement officials or teachers or people who are children......or others.*" In commenting on Trump's tweet that "*if a potential sicko shooter has a large number of 'very weapons talented' teachers and others who will be instantly shooting, the sicko will never attack that school,*" Colbert said "*Yeah, that's what sickos are known for – logical reasoning.*" Colbert then said "*what does he mean by 'weapons-talented?' That's not a phrase I want to associate with teachers...wow Earl, you sure are handy with guns. Have you thought about working with children?*"

In the above monologue, Colbert obviously mentions the President. Perhaps to enhance the comedic potential of the skit, it is helpful to know something about the kind of man Donald Trump is. However, the joke here is really about ideas. As such, it is the proposal not the person that steals the comedic limelight.

So what is underlying change in tonight-show fodder? One hypothesis is that what people find funny has altered. This does not seem likely in any profound way. A competing hypothesis is more compelling: the proposition that contemporary ideas about how society should be organized are approaching the absurd; or at least have crossed a line such that they are now in a zone that renders them literally laughable. Perhaps part of the problem is that the policy wonks have been marginalized. They no longer are setting the course. It could be that there are justifiable reasons for banishing the experts, or at least admonishing them. Maybe they have failed, or just not done well enough. Alternatively, maybe – somewhere along the line – they were co-opted to do the bidding of the wealthy and those with special interests.

Aside from the reference to Carson *vis-à-vis* his modern equivalents, there is a more conventional way to examine what has happened to Western civic society since the 1960s. Since the end of the Second World War, there have been three eras of thought about public sector governance. The first has been variously characterized as the epoch of the New Deal consensus or regulated state capitalism, umbrella terms for Fordism, broadly conceived (Williams et al. 1992). The second is often referred to as the era of Neoliberalism. The third is still taking shape and hard to characterize. However, it is distinctive in two related respects. First, it emerges from the ruins of public policy that has been chronically failing for decades as well as economic and governance crises that know no modern precedent. Second, it represents a mostly visceral reaction on the part of ordinary people against theory and experts. In this latter respect, contemporary era decision makers often present themselves as skeptical of evidence-informed reasoning or even openly disdainful of it. The emerging epoch is henceforth referred to as the "age of crisis."

The contemporary-era nascent social and political landscape is especially intriguing. To the extent that it is possible to make historical judgments about its causes and correlates, it was born from the long-term failure of policy to deliver results for ordinary people and, more recently, global calamities for which no one in authority seems to have answers, the 2008 financial crisis being the most notable case in point. It seems that in the aftermath of all that has gone wrong – the creeping malaise as well as the abrupt moments of unexpected catastrophe – thinkers have letdown the populous. As noted, it is not entirely clear whether their disappointing performance pertains more to failure of imagination or being, in various ways, "bought." Whatever the case, if theory is now a thing of the past, what is to be its replacement? A starting point here is to attempt to conceive of its opposite. One solution – possibly the new orthodoxy – is to posit a mishmash of notions that feel right, or make large numbers of people feel good. The key word here is "feel." Concisely, feeling is antithetical to thinking. Unburdened by a need for rationale, feelings have a life of their own. Hence, reasoning and argumentation does little to change the way they are subjectively experienced. However, context influences them. For example, consider anger. For the mentally adjusted, rage and resentment is manifest following a real or imagined injustice. It is possible that having unfairness put-right (or misconceptions corrected) assuages passion however, even in such relatively rare circumstances the preinjustice state is not recaptured and emotion not cognition invariably continues to inform actions. Furthermore, unlike theorizing, feelings are subjectively negative or positive and mostly untameable through voluntary acts of will. This is largely why to feel bad is, in principle, harmful; it is difficult to come back from. In this sense, it is noncomparable to its "thinking" equivalent, which would be something merely akin to theory requiring adjustment or jettisoning, or a null-hypothesis being unable to be rejected. For current purposes, the query of the moment is how does it arise that a society devises its governing principles based on feelings rather than theorizing? This is a thorny but nonetheless inescapable question in the modern world. At least part of the answer emerges from understanding how theory has failed; and failed in such a way as to disenfranchise – indeed harm – large numbers of people. It is from such an historical examination that this book begins. The date is around 1980 for most OECD countries; but for the people of Chile, came 7 years earlier in the aftermath of Augusto Pinochet's military *coup d'état* which overthrew the democratically elected socialist government of Salvador Allende.

The Lead-Up to the Age of Crisis: From the New Deal Consensus to Neoliberalism to the Calamity-Ridden Contemporary World

Sometime around the late 1970s, a different orientation towards public policy entered the mainstream in Western countries. In certain jurisdictions including the United States and the UK, the change was relatively abrupt. In others such as Australia, New Zealand, and Canada, it was incremental (Katz and Darbishire 2000; Gould 2010). The details about why there was a departure from the postwar prescription for societal betterment create much of this book's context and merit attention. For example, it appears that the Fordist-based paradigm and Fordist-based Kaldorian economic growth as the West's dominant mode of production was by the mid-1970s not as effective as it had been or at least could be portrayed as such (Mead 2004; Koch 2006). Several decades earlier theorists such as Italian socialist philosopher Antonio Gramsci (1934, reprinted in 1971), in reinterpreting Marx's notion of economic determinism argued that Fordism, by virtue of the moment in history when it took root and its subsequent ubiquity, is archetypal of Western-style capitalism (Antonio and Bonanno 2000). In his short essay, *Americanism and Fordism* he argued that Fordism embodies a sophisticated mix of *bourgeois* strategy and manipulation, classical Marxist-style exploitative elements, and a State-based response which stabilizes conditions that would otherwise culminate in a proletariat revolution. Whatever the case, the approach became, at least in relative terms, a practical and ultimately broadly beneficial theory about how to manage private capital while accommodating disparate interests of various actors in the process.

Fordism supplied business people with key theory that allowed the promise of industrialism to be realized. For 150 years before the beginning of the twentieth century, conjecture about workforce management was piecemeal and no orthodoxy was hegemonic. In a sense, creation of a universal blueprint for employee superintendence lagged behind philosophizing about the role and relevance of macrolevel elements of the new capitalist system as espoused by, on the one hand, its proponents such as Adam Smith and, on the other, its critics such as Marx and Engels. With some exceptions such as with Scottish textile mill owner Robert Owen (1771–1858) who provided counsel on how to motivate employees thus establishing his reputation as the first management theorist (Joullié and Spillane 2015), prior to the twentieth century, there was a paucity of practical advice. Indeed, until the twentieth century, what passed for ideas about administrative science are often better interpreted as sympathetic philosophy concerning the importance of the new management class. An example of such proselytizing is seen in the work of Alexander Hamilton (1771–1804) who put flesh on the bones of Adam Smith's *Wealth of Nations* treatise (1776). Hamilton produced a report on the subject of manufactures that extolled the transformative potential of management. However, the nearest he came to providing down-to-earth advice concerning governance was to reiterate Smith's counsel that factory efficiency is mostly achieved through division of labor and job specialization (Joullié and Spillane 2015; Gould et al. 2017).

It was not until the early 1900s that an integrated set of tenets concerning how to run large enterprises for profit and provide stewardship of private capital arose and abruptly became *zeitgeist* (Wren and Greenwood 1998; Scheiber 2012). Hence, Fordism was born as a panacea for the problem that had bedeviled business people since the advent of steam-powered technology. The dilemma was this: how could capital, in the form of increasingly differentiated and sophisticated machines, be integrated with labor to optimize investor return in the new industrial world? The solution entailed using semi-skilled workers deployed on an automated assembly line to do specialized tasks with dedicated apparatuses. In the early 20th century – an economic setting where key industrial and consumer markets were unsaturated and therefore demand invariably equaled supply – the perennially elusive ideal of optimal investor return was mostly a secondary consequence of something less abstract, output of standardized products.

A conspicuous feature of Fordism is that it emerges from theory. Scholarly opinion differs about whether it was a derivative of, or strongly influenced by, Taylorism (e.g., Hounshell 1984; Sorensen 1956; Doray and Macy 1988). However, unambiguously it belongs to the family of approaches that today are frequently derided as being in the scientific management tradition. Imperfect as these strategies now seem, *a-theoretical* they were not. They can be defended using logic that, in many cases, is informed by data obtained from the shop floor. Indeed, data kept scientific management theory alive and ultimately brought it – at least partially – to heal with the Hawthorne studies and ensuing human relations revolution of the 1930s (Wren and Greenwood 1998; Taneja et al. 2011; Joullié and Spillane 2015). In this sense, Taylor's *magnum opus*, the *Principles of Scientific Management* (1911) is technically impressive due to the author's commitment to using mathematical theorems in particular to present a view of how variables are related and his concern about empirical confirmation.

Another key characteristic of Fordism is that, as Gramsci made clear in what he wrote in his diary whilst imprisoned under the Mussolini Fascist regime, the term itself came to denote more than an approach to factory management. As the twentieth century progressed, the construct expanded and took on at least five divergent meanings that, taken together, define – not just a management blueprint – but a public policy era. First, Fordism is a label applied to a particular mode of economic growth that entails a virtuous cycle of mass production and consumption (Koch 2006). In a sense, it instantiates Adam Smith's conception of the trajectory of modernity as outlined in landmark works such as Max Weber's *The Protestant Work Ethic and the Spirit of Capitalism* (1905). Second, Fordism symbolizes something of a capitalist concession. Ironically, in spite of Henry Ford's unitarist inclinations and legendary hatred of unions, the term now embraces begrudging employer recognition that they should tolerate organized labor as a broadly beneficial component of their forfeiture in the twentieth century's new social contract. Relatedly, it signifies that workers should accept management perogative in return for rising wages (Watts 2005; Baca 2004). Third, Fordism is widely allied with the distinctively industrial-age notion that Western industries mature into inefficient but broadly accommodative structures of monopolistic competition where cost-plus rather than market consensus determines pricing (Watts 2005). Fourth, Fordism is associated with legitimization of deficit financing and credit-fuelled consumption (McDermott 1992; Tylecote 1995). In the New Deal era, its imperfections formed much of the rationale for State intervention in economic matters including, in particular, the establishment of a welfare state and state regulated capitalism. Fifth, Fordism has also become a research paradigm, used for example to analyze the proliferation of mass media, transportation, and politics (Wren and Greenwood 1998; Roobeek 1987). To gain perspective on how Fordism and its inextricable historical link with regulated entrepreneurship was woven into the fabric of American – and Western – industrial life, one need only reflect on the recently established hard-won legitimacy of organized labor in the middle decades of the twentieth century. For example, in 1952 General Dwight Eisenhower, Republican Presidential nominee and archetypal tough-guy said about labor unions.

> I have no use for those, regardless of their political party, who hold some foolish dream of spinning the clock back to days when unorganized labor was a huddled, almost helpless, mass. Today in America, unions have a secure place in our industrial life. Only a handful of unreconstructed reactionaries harbor the ugly thought of breaking unions. Only a fool would want to deprive working men and woman of the right to join the union of their choice. (Speech to the American Federation of Labor in New York City. 17 September, 1952 (cited in Newton, 2011))

And so it was. During the 1950s under a Republican administration, the New Deal consensus was hegemonic. Whatever the inadequacies of Fordism, the theory as it applies to production – in combination with its institutional employer concessions and attendant state-based softening strategies to halt what Marxists saw as the natural course of dialectical materialism – was working and doing so for most people. For example, the decades of the 1930s to the 1960s saw inequality diminish to an unprecedented level (Gould et al. 2017; Moody 2007). During the era, the top 20% of wealthy people in the USA never held more than 65% of private capital. By contrast, since 1990 this figure has always been above 70% (Wisman 2013; Gould et al. 2017; Appleby 2011). From 1950 until 1972, real average weekly wages rose in the United States by 48%, from $212 to their highest point on record, $315. Over the same period, real income growth for families increased even more dramatically. For example, the poorest 20% of American households more than doubled (116%) their disposable income in the period 1947–1973 (Moody 2007; Mishel et al. 2005; Piketty 2014).

In the 1970s, postwar growth associated with Fordism began to decline and commentators speculated that the model itself needed re-examination. In the worst economic slump since the great depression, the US gross domestic product dropped by 1% from 1973 to 1975 and industrial output fell by 10% (Moody 2007). Over the same period, the world's 25 riches countries saw their economic growth rate fall from 5% to 0 (Harrison and Bluestone 1988; Lichtenstein 2002). In the lead-up to the 1975 world recession, inflation was rising steeply in Western countries. However, it was the external shock of the 1973 OPEC crisis in which Arabian Gulf States acting as a cartel unprecedentedly quadrupled the price they were charging the West for oil, that seemed to herald the beginning of a new era. The OPEC crisis, as an extraordinary – as opposed to a cyclical – phenomenon, was a convenient whipping post for contemporary-era economists trying to make sense of what was happening (Moody 2007; Issawi 1979; Kolm 1977). Indeed, although much contemporaneous literature attached importance to it as the principal cause of the epoch's malaise, more systemic elements were undermining prosperity from as early as the 1960s. Moody (2007), for example, provides a nuanced thesis about why the long-boom was abating from the mid-1960s. He argues that return on capital deployed in Western industries was falling from around this time. A reason for this was that from approximately the early 1960s, international competition was encroaching on domestic market share in circumstances of near market saturation. In economic parlance, Western industries were moving towards structures of perfect competition in which output settles at a point where, for any particular firm, marginal cost equals marginal revenue, and for practical purposes, return on capital diminishes to an international norm. To the extent that "harder working" capital was responsible for reduced surpluses, conditions for workers started to attenuate. Specifically, from the early 1970s onwards, their wage growth stagnated. In fact, over the next 20 years (from 1972 until the beginning of the Clinton administration), average real weekly wages in the United States fell (almost) every year (Moody 2007). Adding to the problem was the scourge of inflation, which was out of control in the late 1970s period of stagflation (Brenner 2002; Mandel 1978). However, this era was relatively short-lived. What was really happening was real wage growth was slowing because of shrinking growth in surpluses and insidious employer recalcitrance concerning the perennial wage/profit share. Whatever the case, by the 1990s American workers had 1960s purchasing power. In a vain attempt to address the problem, they toiled more. In the 1970s and 1980s, the nation's employees put in an average of 3 h per week in overtime. In the 1990s, the figure was 4.2 h. By the early 2000s (2000–2004), during the period of slower economic growth and consequent rising unemployment, it was 5.4 h (Moody 2007; Harrison and Bluestone 1988). Life in the West had been getting difficult for ordinary people. It seemed that, with the rise of Japan and the Asia Tiger economies, more of the world was sharing capitalism's benefits; Fordist-era industry structures of monopolistic competition were outmoded, or at least appeared so.

If, in the 1970s, conditions were turning against Western workers, it is equally true that a hitherto marginal strain of thought was entering the mainstream. It is likely that worsening economic circumstances made it easier to argue that the world needed a fresh approach. The new prescription was ready to be implemented and well-articulated. It came largely courtesy of Austrian-school theorists such as Friedrich Hayek and later his acolytes, the *anti-Keynesian/Monetarist* Milton Friedman and James Buchanan with his conception of public choice theory (Buchanan 2003). The alternative way of thinking was, at least according to certain commentators, a return to the common sense of the enlightenment and the ideas of eighteenth- and nineteenth-century thinkers such as Jean Baptiste Say (1767–1832), and Alexander de Toqueville (1805–1859), each interested in understanding America's uniqueness in the new industrial world and, in various ways, influenced by Adam Smith's (1773–1790) belief in natural law, utilitarianism and the inevitability of progress (Ebenstein 2002, 2003; Combe 1996). Another inspiration for the new liberals came from even earlier thinkers. For example, there was John Locke (1632–1704) who had argued persuasively that people are inherently selfish and, from this, it follows that they have a natural right to defend their life, health, liberty, and possessions. This doctrine ultimately worked its way into the American Declaration of Independence with the expression "life, liberty, and pursuit of happiness." However, in spite of such an apparently impressive intellectual pedigree, the prescription that was to come from Friedman and his ilk in the 1970s is arguably a radical variant of earlier liberalism. It was, at its core, the notion that government and governance are largely pernicious influences or at least more intrusive than should be the case and its corollary thesis, that *laissez-faire* capitalism is inclined to remedy both economic and social problems. The world was soon to enter the era of neoliberalism, a shorthand term for what is often thought of in North America as free-market conservatism.

In summary therefore, it was under the twin influences of increasingly lackluster results that beset the plight of Western countries in the 1970s combined with the persuasive skill of scholars and some earlier politicians such as 1964 Republican Presidential nominee Barry Goldwater that much of the world haltingly entered the neoliberal era. Somewhat like the Keynesian pump-priming intellectual foundations of New-Dealism, neoliberalism is not *a-theoretical*. Indeed, as a cursory reading of Freidrich Hayek's *Road-to-Serfdom* (1945) or even Ayn Rand's *Atlas Shrugged* (1992), originally published in 1957 (which proposes as virtuous through its exposition of the so-called philosophy of objectivism unchecked ego and ruthless pursuance of self-interest) reveals, part of its problem has turned out to be that it preferences dogma over data. In other words, its unyielding and dispassionate adherence to ideology has guided its implementation.

Neoliberalism's proponents assert that application of the market principle should be expanded in at least five related ways. First, policy should allow private sector entities to compete to provide services that hitherto have been the preserve of the public sector. In most OECD countries, this project is applied in arenas such as the administration of prisons, hospitals, and schools. It manifests as privatization of national airlines, telecommunications, and welfare systems (Combe 1996;

Connell 2010). There is a partially disguised agenda here; if someone wants something, indeed needs it, they should pay for it. The fact that they may not be able to is a short-run impediment and one that reflects negatively on the needy person's character; the logic being that it is they, through their choices, who placed themselves in the dependent situation (Dean 2009; Cooper 2012). Second, the market solution should be the default option to remedy social – as opposed to economic – problems (Brady 2008; Harvey 2005). Hence, it should not be viewed narrowly as merely a means of enhancing commercial performance as classically occurs when firm managers make choices concerning lease or buy, vertical or horizontal integration, or outsourcing. Third, policy makers should be creative in finding ways to apply the market solution; in other words, they must proactively conceive of new functions and speculate about how an unfettered private sector will fulfill them for profit. In this regard, it is only in the last 35 years that there has emerged in the Western World conceptions of supply and demand for drinking water, body parts, and outer space (Connell 2010). Fourth, the Schumpeterian phenomenon of industry creative destruction is not to be disparaged but rather is ultimately beneficial for myriad actors, including those who lose their jobs when an economic sector becomes defunct (Harvey 2006). Apparently, the idea here is that laid-off workers, irrespective of their age or other circumstances, are presented with retraining opportunities that – if they are responsible citizens – they will have budgeted for during the period when they were employed. Fifth, labor markets, because they are markets, are not exempt from deregulation. This aspect of the agenda is multifaceted. Perhaps its most contentious element concerns antiunionism. Neoliberalists propose that unions create competitive distortions (Braedley and Luxton 2010). They bid up the cost of labor beyond its market value. They are incompatible with the principle of merit-based promotion and appointment. They are a cause of indolence and inefficiency. For these reasons, they are typically a key initial target in implementing the neoliberal agenda. An example of this phenomenon is the case of Augusto Pinochet's assault on Chilean unions in 1973 which came almost immediately after he seized power. Similarly, there was Reagan's defeat of air traffic controllers in 1981, Thatcher's dismantling of the miners' union in 1984 and, in Australia, the Howard government's entanglement with dock workers in its first term (1997) and later, after it gained control of the nation's upper house of parliament, its *WorkChoices* agenda (2005).

A key upside of neoliberalism for the public is, in principle, the promise of reduced taxes and an ensuing downward pressure on prices. For example, in the United States, the passing of Proposition 13 in California in 1978, a referendum to cap property tax, has historical significance. It is heralded as the commencement of a new policy direction for Western governments (Connell 2010; Chapman 1998). However, in reflecting on changing taxation regimes over the last 40 years, authors such as Connell (2010) argue that although in the USA and other OECD countries tax-cuts have been an animating theme of both conservative and liberal electoral campaigns, government receipts have fallen very little. Rather, there has been a conspicuous shift from direct to indirect taxations arrangements, a circumstance that unambiguously discriminates against low-income earners in favor of wealthy people. In short, neoliberalism in practice promotes regressive tax regimes.

As noted, in the Western world, an emphasis on supply-side economics, the more technical description of much of the tax-related ideology that informs neoliberalism, is mostly associated in an applied sense with the modern-era governments of Reagan and Thatcher in the 1980s (Gould and Robert 2013; Gwartney 2008). The theory had not broken into the mainstream prior to this time, but perhaps came close to doing so during the failed 1964 US Presidential campaign of Barry Goldwater, a man whose time had not yet come. However, history has a way of being Western-centric. In particular, the first real test-run of resurrected liberalism came in 1973 following Augusto Pinochet's military *coup* in Chile. The historical importance of Chile in this area cannot be overstated and is eloquently summed-up by Robert Packenham and William Ratliff (2007 p. 9) from the Hoover Institute who note. . .

> The first country in the world to make that momentous break with the past – away from socialism and extreme state capitalism toward more market-orientated structures and polices – was not Deng Xiaoping's China or Margaret Thatcher's Britain in the late 1970s, Ronald Reagan's United States in 1981, or any other country in Latin America or elsewhere. It was Pinochet's Chile in 1975.

In decisively rebuking his socialist predecessor Allende, Pinochet brought in the "Chicago-boys," mostly Chilean economic consultants who had spent time at the University of Chicago under the tutelage of ideologues such as Milton Friedman. The job of the advisers was to recast the old order. Henceforth, the market solution was to be the guiding maxim for addressing the nation's economic and social problems. To support the approach, the regime removed trade barriers, privatized key state-owned industries, created a central bank with authority to set interest and exchange rates independently, cut wages, and privatized social security. In foreshadowing what was to come soon in the United States, William Simon, Secretary of the Treasury, described the new South American dictator as having brought economic freedom to his country (Asen 2009). In fact, despite the USA's official position that it merely approved of – or at most tacitly supported – the Pinochet regime, several scholars have argued that America proactively paved the way for him through undermining the Allende government using the CIA to stage destabilization initiatives and covert trade-related interventions such as an "invisible blockade." Authors such as Peter Kornbluh in his book *the Pinochet File* (2003), Tim Weiner in, *Legacy of Ashes* (2007), and Christopher Hitchens's, *The Trial of Henry Kissinger* (2001) have proposed slightly differing theses concerning US manipulation of South-American politics during the 1970s.

The Chilean dalliance with neoliberalism did not go as planned. In 1986, the Indian economist Amartya Sen provided a postmortem of the experiment. His conclusions were gloomy. In what ended-up being known as the "Chicago road to socialism," he noted that, by the early 1980s, the new approach had been disastrous, prompting a wholesale buy-back of public assets in an effort to restore the *status-quo*. Ironically, the State ended-up owning and running more of the economy than it had during the Allende administration, including industries focusing on manufacturing and exporting as well as the banking sector.

The rest of the world's enthusiasm for neoliberalism was not dampened in the wake of the Chilean experiment. However, even before factoring–in the impacts of, for example, the 2008 global financial crisis, the new way was not delivering its promised benefits or at least not doing so for the majority of people living in OECD countries. For example, in the early 2000s, the "great moderation" in the business cycle was unmistakable on graphs (Summers 2005). The postindustrial more tempered boom-bust sequence seemed to be attributable to certain of neoliberalism's peripheral elements. These included increased central bank independence, application of the "Taylor Rule" (which specifies that in the long run, an independently operated central bank will raise interest rates by more than one percent for each 1% rise in the inflation rate) in monetary policy and greater within-sector flexibility including elements such as "just-in-time" inventory management but, more particularly, increasingly flexible labor markets (to use the vernacular). At that time, proponents of rationale expectations and efficient markets theory held the intellectual high ground. The market solution was working, but for whom? Analysts such as Mark Weissbrot and Rebecca Ray (2011) had the temerity to compare the period 1960–1980 with the period 1980–2005. They focused on indicators including economic growth and social/psychological measures within low and middle-income countries which, according to at least one variant of the theory (e.g., Moody 2007), should have been first in-line to receive neoliberalism's advantages. They concluded that, far from such nations being the beneficiaries of a so-called rising-bottom, they had in fact declined on key financial indices. Within the United States – a country that was likely to be at risk of setback when measured in narrow economic terms – it is conspicuous that even social justice indicators have it in 2015 at number 25 out of 31 OECD countries, just above Turkey, Greece, and Chile (Kauder and Potrafke 2015). When further scrutinized, it seems that some sectors of the US population were hit particularly hard by the new social and economic order. For example, researchers such as Case and Coates (2017) and Case and Deaton (2017) have been tracking the aggregate fate of middle-aged white Americans (particularly white American males) without college-level degrees since 1999. They note that the mean mortality-rate for this cohort was declining steadily throughout the twentieth century but in the twenty-first century, in contrast to other wealthy countries, began to rise precipitously. They further conclude that the trend-reversal is mostly attributable to elements such as suicide and drug overdose that, in turn, come from lost status arising principally from job insecurity and career disruption in the age of neoliberalism. Such research is a bombshell. It indexes a larger phenomenon that turns out to be a colossal blind spot for those espousing neoliberalism in theory. For example, in their book *The Spirit-Level: Why Inequality Matters,* Wilkinson and Pickett (2010) provide evidence that any mode of production – even if it produces across the board rising levels of prosperity – will have adverse aggregate psychological impacts if it also exacerbates wealth inequality. A thought experiment (not taken from the book) serves to underscore this point. Imagine a boss arrives at work and randomly summons one of their employees to tell them that they are to receive a salary increase of, say, 20%. The employee feels elated. Imagine, the same boss subsequently announces to all other equivalent-level employees that they will receive a pay rise of 25%. Now, the first employee feels worse than they did before the boss arrived.

In 2000, once again before the 2008 crisis, Crotty undertook a postmortem on the global economic effects of Neoliberalism. His conclusions were dismal. He wrote (p. 10).

> The evidence to date supports neoliberalism's critics. The promised benefits of neoliberalism have yet to materialize. Global income growth has slowed as has the rate of global capital accumulation, at least for the majority of the world's people. Productivity growth has deteriorated, real wage growth has declined, inequality has risen in most Western countries, real interest rates are higher, financial crises erupt with increasing regularity, the less developed nations outside East-Asia have fallen even further behind the more advanced and average unemployment has risen.

Hence, over-reliance on the market solution was not delivering its assured dividends even before 2008. In the wake of the new approach, the US middle-class was being decimated and the twentieth century's promise of social-mobility was now a pipedream. Following the global financial crisis – an event for which it seems likely that no party with skin in the game foresaw – government, the private sector, and an increasingly beaten-down public were unmistakably in reaction-mode. Initially within the United States and elsewhere there was a fleeting return to Keynesian-style pump priming, even by the hard-line *Neocons* (Stewart 2009). When the postcrisis mess was handed from the Bush to the Obama administration pump-priming and prop-up measures continued, for a brief time, and mostly only for corporate America. For example, following the collapse of merchant bankers Lehman Brothers (LB) and the takeover of Merrill Lynch (ML) by the Bank of America (BofA), the new Federal government invested 85 billion dollars to ensure that merchant bank AIG remained solvent (Boyer 2009). Overall, the US Federal Reserve sponsored massive – although less than recommended – stimulatory initiatives (*Institut économique de Montréal*, 2009; Boyer 2009). In Europe in 2008, the EU Commission recommended a 200 billion euros stimulus package (about 1.5% of the aggregate GDP of the countries being targeted).

However, in 2010, the G20 summit held in Toronto marked the beginning of a fresh global financial policy orientation of governments struggling to manage the aftermath of the crisis (Le Queux and Peetz 2013; Lo Duca and Stracca 2014). Because the bailouts were now threatening the solvency and credit-ratings of countries around the world, stringency was the new *ordre du jour*. The plan devised in Toronto was to reduce public debt within G20 nations by 50% by 2013 (Le Queux and Peetz 2013). Long-term austerity had begun. Once again, the State was the standard-bearer for free-market orthodoxy and it was ordinary people who were to take another body blow.

In his book *Failed* (2015), Mark Weissbrot presents a subversive thesis about the strategic orientation of governments following the 2008 crisis. Weissbrot examined the minutes of regular IMF consultations with member governments (covering 27 countries) for the years 2008–2011. He concludes that participants viewed spending cuts to the public sector and reduced public services as indispensable. This finding is perhaps unremarkable. However, Weissbrot observed something more insidious. Specifically, austerity measures are typically implemented in parallel with an agenda to limit democratic participation. For example, in Europe there has been an emphasis on transferring decision making to unelected bodies and, insofar as possible, to lessen the influence of national governments. In a similar vein, in the United States the lower 70% of those eligible to vote never do and therefore elected representatives disregard their preferences (Kiesa and Levine 2016). Such recent precipitous decline in electoral participation has provided impetus for theorists such as Ferguson to extend his investment theory of party competition to the arena of congressional elections. Ferguson notes that, since approximately 1980, campaign spending is a near perfect predictor of electoral outcomes (Ferguson 1995).

There is a fuzzy boundary between the end of the period of neoliberalism and the emergence of the next – current – era, described here as the "age of crisis." As Ferguson (1995) notes, there is no special reason to believe that much of the neoliberal agenda is being jettisoned. On the contrary, it has made people who were always very rich and who make electoral donations, even more so. However, what distinguishes the new era is two elements. First, the most conspicuous of the contemporary Western-style public policy makers are, at least overtly, contemptuous of experts and disdainful of approaches that seem based on theory and philosophy. As noted, in the modern-era, the way a strategy makes one feel mostly eclipses consideration of whether theory predicts that it will work. Second, despite a now more disguised but still hard-core continued preoccupation with the substance of neoliberalism, the contemporary epoch's approach to governance resurrects some elements of New-Dealism, or at least pays lip-service to their value. Such elements include isolationism, protectionism, and xenophobia. In the very recent past, President Trump's preoccupation with building a wall between Mexico and the USA, *Brexit*, the rise of the *alt-right* and resurrected plans to reinstate bygone era tariffs and trade embargos are evidence of a widespread popular yearning for the good-old-days. Despite some aggressive rhetoric, it is unclear whether these agendas will be implemented or even if they could be. It is also not clear whether contemporary-era leaders have commitment to their implementation. Indeed, it seems likely that they do not. After all, as argued, compared to their predecessors, the leaders and decision makers of 2018 are mostly not theory-driven and as such unmoored from ideological allegiance.

To prosecute the case that contempt for theory and superficial preoccupation with good-old-days socialist-style protectionist elements (at least for those in the in-group) are distinctive hallmarks of the new era, it is instructive to examine two recent Western-World phenomena. First, there is the celebration of the nonexpert as a panacea for complex problems. The key word here is "celebration." Modern history is replete with examples of politicians who were not technically competent. Indeed, in the case of the USA at least, this was part of the original vision of the founding fathers with their conception of the citizen-statesman (Gould et al. 2017). What delineates the new epoch however is lauding ignorance as a virtue. An early sign of the change came just before the 2008 US Presidential election when Republican nominee Senator John McCain chose as his running mate then Alaskan governor Sarah Palin. Ms Palin was chosen according to McCain because although not an expert in anything vaguely relevant to the most pressing problems faced by the country, she does not parse words and has common sense (Dunn 2011). For example, during the 2008 Vice-Presidential debate held on the 2nd of October when she was asked which of her side's policy plans would have to be scaled-down due to the global financial crisis, Palin did not miss a beat. She said ....“*How long have I been at this – like five weeks?*” In an effort to show that she related to ordinary people, the same Ms Palin, inquired confidently, “*What is it that a V-P actually does?*” when asked on the 25th of June 2008 by Larry Kudlow of CNBC about the role. Second, there has been the rise of populist fringe movements that manifest anger and resentment but have few creative, well-defended public policy suggestions. This is not a partisan matter and occurs on the left and right of the political spectrum as in the case, on the one hand, with Occupy Wall Street and, on the other, with the Obama-era Tea Party movement.

Management in an Age of Crisis: Trump, *Brexit* and Those Incompetent and Co-opted Experts

Donald Trump was never going to win the 2016 American Presidential election. He was not even going to throw his hat in the ring. Prior to his official announcement made in Trump Tower on 16 June 2015, he certainly gave indications that he would run. However, he was really just an overly indulged carnival-barker with a twitter account. His US-Mexico wall idea was comparable to mid-twentieth-century eccentric millionaire Howard Hughes's *H-4 Hercules* concept. The showy *Spruce Goose*, as it was better known, was an enormous but useless seaplane that was originally trumpeted as the ultimate solution for Axis-power submarines sinking US supply ships in the Atlantic after the country entered the Second World War. Members of Roosevelt's War Cabinet were unimpressed with the idea, but ultimately Hughes Aircraft Corporation secured a development contract with the Department of the Navy to build three prototypes (McDonald 1981). The Wall was to be Trump's *Spruce Goose,* expensive and inefficient, flamboyant and headline grabbing, but in the end, more about style than substance.

It was not that Trump did not have marketing skill and the sectional appeal that inevitably comes from hard-hitting rhetoric, an ostensible real-estate empire and a list of authored books with menacing titles like *Think Like a Champion* (2009), *Time to get Tough* (2011), *Think Big and Kick Ass* (2007), and *the Art of the Deal* (1987). Undeniably, his capacity to manipulate the media was impressive. It was reminiscent of actor Orson Wells who, in 1938, created mass panic in the tristate area when he read aloud on a wireless broadcast H.G. Well's *War of the Worlds*; announcing that Martians had landed in a carpark at Grover's Mill New Jersey and 7000 US servicemen had been deployed to face them down. Orson Well's career took off following this incident. Similarly, Trump's posturing about being President aimed merely to secure a fifteenth series of the *Apprentice* with NBC, to promote brand Trump, and to fire a warning shot across the bow of the real contenders who, according to him, were losers and needed to lift their game. At 68, Trump was too old, lacked discipline, knew nothing about bureaucracy, championed ridiculous and impractical ideas, and had no experience with elected office. Besides, Trump could not run because he could not allow his tax returns to be released or certain of his disreputable business dealings to be scrutinized. In declaring Chap. 5 bankruptcy, he had walked away from the *Taj-Mahal* Casino in Atlantic City with debt owing to ordinary people; dishwashers, painters, carpenters, plumbers, glaziers, and drapery installers (and this was not the first time). He had a class action against him by former Trump University students. Depending on one's political sympathies, he was either a branding genius or a shameless narcissistic self-promoter. Either way, the idea of him being a candidate was Barnumesque, an off-the-wall publicity stunt but nonetheless patently absurd as a matter of practice. This was what the experts said. They were wrong.

When Trump did announce his candidacy, it was clear he could not win the primaries. He was competing in a field of 17, which included experienced State governors, Senators, and credible business people. There had not been such a large showing on the Republican side since the Lincoln-Douglas election of 1860. Moreover, Trump had no background in the GOP, no debate experience, no *SuperPac*, and continued to say things that embodied simultaneously incoherence and viciousness. He made crude and offensive remarks about women and seemed to have an adolescent's preoccupation with their weight and appearance. He ridiculed and insulted people who were unable to respond. He showed limited engagement with complex issues and an unyielding preference for the glib and superficial over the scholarly and analytic. Perhaps most offputtingly, he crossed a sacred line by casting aspersions on the bravery and patriotism of Senator John McCain. During the Vietnam War, McCain, then a Navy pilot serving on the U.S.S. Forestall was captured and horrendously tortured for 6 years by the Vietcong in circumstances where he ultimately could have secured his freedom but refused to do so unless every prisoner being held alongside him was also released. Trump said about the Senator on 18 July 2015 at a campaign event at the Family Leadership Summit in Ames, Iowa. . .

> He's not a hero. He's a hero because he was captured. I like people who weren't captured.

Once again, the experts said Trump would not – could not – become the Republican standard-bearer. They were wrong – for the second time.

Following Trump's nomination on May 3, 2016, he was not going to beat Hilary Clinton in the general election. This could not happen because the whole of America participates, or at least has the right to participate, in deciding who will be their nation's President. The influence of the lunatic fringe was now diluted. The polls were showing that there would be regression towards the mean, attenuation. The Electoral College system, while not perfect, had been conceived by the wise founding fathers and thoughtfully refined after the Civil War. It invariably produces an optimal solution. Although the Democratic nominee was not especially inspiring and came with baggage, survey data indicated that she would naturally fall into the role. It was not even necessary for her to campaign much, hold press conferences, or go to red states. All she needed to do was what she was already doing and was comfortable with; stay mostly in New York and California and appear on shows that appealed mainly to liberal-minded women such as *The View* and *Ellen*. In the second Presidential debate held on the 16 of September, during a clash about the causes of poor quality public schools and ageing infrastructure, Trump seemed to wear it as a badge of honor that he does not pay his share of tax. "*That makes me smart,*" he said. Expert commentators on CNN denounced this utterance as unprecedentedly injudicious (e.g., Diaz 2016 27 September). It defied logic and reason. Trump had forgotten that the bulk of people who would soon vote were taxpayers. In asking why they – the battlers – should be subsidizing a millionaire at tax time, they would join the dots about what sort of man Trump was. However, this was all prologue. Later his candidacy would fall off a cliff. On October 7, when the tawdry *Access-Hollywood* tape came out which revealed an exchange in which Trump shamelessly boasted that his fame gave him the green light to sexually assault women as and when he felt like it, he was undoubtedly finished. Now it was a matter of the iron-law of arithmetic. His base of voters was, from that moment forward, to be only some percentage of males, 50% of those who would be casting a ballot. Boolean logic predicted he would soon be rendered a historical footnote. He was about to become the twenty-first-century's Gary Hart, the 1988 Democratic party frontrunner who was forced to drop out in favor of Michael Dukakis when it was revealed that he had a girlfriend, Donna Rice, while he was married. Inductive reasoning was relevant here. Hart was a former diplomat. He was an intelligent and attractive man. However, what he did or was alleged to have done, despite being comparatively trifling, finished him. *Ipso facto*, 28 years later the star of *the Apprentice* was soon to get an ignominious dose of his own medicine; he would be fired. This was, once again, the consensus of experts offering narrowly focused analyses. They were wrong – for a third time. Zero out of three for the *intelligencia* concerning their analysis of the rise of Trump.

The story of the 45th US President's political ascendancy embodies the paradox of the last 50 years. Experts have let down the public – at least most of them – with their prescriptions for societal betterment. Whether well intentioned or disingenuously attempting to create a pretext which allows the wealthy to further enrich themselves at the expense of everyone else, they have often been wrong. Their remedies and proselytizing have seemingly arisen from disciplined analysis. Wallowing in the intellectual debris of postindustrialism, more experts used more theory and logic to misread who was to be the President of the United States in 2016. Despite the risk of throwing the baby out with the bathwater, the decimated middle-class and those worse-off who would never likely get to be part of it were fed-up with the experts, and not without justification. A new and dystopic era had emerged. It was post-neoliberalism – postindustrialism. For the first time since Henry Ford worked out how to combine capital with labor and the state thoughtfully responded to make sure that no one was left behind, the world was a-theoretical. Philosophy was no longer to undergird public policy. The airplane was being built as it was being flown and the way people felt was more important than ideas defended using evidence-informed application of reasoning. Action without theory may have haltingly started with the emergence of Sarah Palin but had now reached its crescendo with the election of Trump. The rise of the brazenly brash and overtly anti-intellectual American politician was a manifestation of a larger phenomenon. Theory and ideological commitment was being cast asunder everywhere. Consider the UK's Justice Secretary, Michael Gove's comment about *Brexit,* made on June 6, 2016, before the Presidential election. In refusing to name any European economist who thought Britain's exit from the Union was a good idea, Gove said in an interview with *Faisal-Islam*. . .

> I think that the people of this country have had enough of experts with organizations with acronyms – saying that they know what is best and getting it consistently wrong, because these people – these people – are the same ones who got consistently wrong (quote reproduced verbatim).

The population sided with him. Throughout the Western World, the public was giving experts the salutatory message that they are not as good as they think they are, a missive for which even the most enlightened person of reason should have sympathy. Indisputably, there is abundant evidence that the clever ones have not done very well. In their mediocrity, they have contributed to the dawning of the new era, both through their bad advice and elitist and condescending way of conveying it. It may even be worse than just a case of incompetence, a case well laid out in economist Thomas Sowell's book, *Intellectuals and Society* (2010) wherein the author argues that much social commentary and public policy development work is substandard because, unlike when running a business, for example, those who produce theory or instantiate it through regulation mostly have nothing at stake if they get it wrong. Indeed, a more pernicious thesis also exists, the possibility that experts are being manipulative, clandestinely working, for example, for those with money and power. In Kurt Andersen's recent book *Fantasyland: How America went Haywire* (2017), this theme is developed and its relationship with conspiracy theories, the blurring of the boundary between news and entertainment and the rise of populist fringe movements well explored. Whatever the case, the new era of public policy is skeptical, indeed disdainful, of ideas. Hence, the age of crisis is also the age of the eschewing of the pointy-heads. Insofar as actual policy manifestation is concerned, it is a disjointed and decontextualized patchwork of nineteenth-century notions about the value of *laissez-faire* capitalism, industrial age forms of protectionism and attendant xenophobia and *ad hoc* economic winner-picking. How long this will last or what will be its results could not be less clear.

From the beginning of the twentieth century, there have been attempts to periodize approaches to management philosophy, public administration, and the shifting economic *milieu*. Each such effort has typically focused on a slightly different object of analysis. Elements established as analytically consequential have included approaches to people management (e.g., Barley and Kunda 1992), the beginning and end-points of economic long waves (e.g., Kondratieff and Stolper 1935; Schumpeter and Nichol 1934; Rostow 1978; Sterman 1986), and recently the moral and ethical legitimacy of the public versus private sector (e.g. Park and Gould 2017; Gould et al. 2017). Some proposed frameworks have been deterministic. These embed within them the notion that human endeavor advances the development of theory and, at key tipping-points, the framework being applied is unrecognizable. When such thresholds are reached, a new era is commenced. For example, there is Barley and Kunda's (1992) classification of management ideologies: industrial betterment (1870–1900), scientific management (1900–1923), welfare capitalism/human relations (1923–1955), systems rationalization (1955–1980), and organizational culture (1980–1995). In a similar vein, there is Gantman's (2005) typology of the nineteenth-century's liberal capitalism, the early and mid-twentieth-century's organized capitalism and the disorganized capitalism from the late twentieth century. In this chapter, several of the key frameworks for understanding management and public-policy recent history have been collapsed together and summarized as the late industrial-age era of Fordism broadly conceived and the epoch of neoliberalism. Each of these eras, although an approach to public policy, has had a symbiotic relationship with philosophy concerning the management of private capital. In other words, the way the State handles matters of public administration has invariably created something of a template for people management generally; or perhaps it is the other way around. Indeed, the causal direction of this relationship remains unclear and will not be addressed here. Rather, for present purposes, what is noteworthy is that historically there has been synergy between public policy and approaches to private-sector governance and each such endeavor has typically been theory-driven.

An understanding that the rupture between industrialism and postindustrialism has much to do with insidious long-term public policy failure and unexpected moments of crisis is a solid starting point for coming to grips with the nature of modernity. But it is only a starting point. Indeed, the road ahead for the sense-makers is tough and the scholarly agenda plagued by unique challenges. Some of these pertain to interpreting what is happening. Others concern drawing conclusions about how – apparently shambolic elements – will stabilize, if they will stabilize, and/or whether they are best viewed as transitional. Another research agenda is about the indirect impacts of public policy. For example, how does its substance and process of creation impact management more broadly and the management of private capital? These are arguably pressing issues. They are dealt with – head-on – in the pages that follow.

In this section, outstanding business and management scholars explore aspects of the contemporary world of work and governance in circumstances where the context is shaped by long-term public policy failure, moments of economic and social catastrophe, and community skepticism. Authors delve into facets of the lead-up to the present epoch as well as its more consequential current manifestations. The section has six more chapters (▶ Chaps. 41, "Labor and Employment Practices: The Rise and Fall of the New Managerialism," ▶ 42, "A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People," ▶ 43, "Why did the Great Recession Fail to Produce a *New* New Deal in the USA?," ▶ 44, "Trade Union Decline and Transformation: Where to for Employment Relations?," ▶ 45, "The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch," and ▶ 46, "Conclusion: Management Theory in Crisis"). ▶ Chapter 41, "Labor and Employment Practices: The Rise and Fall of the New Managerialism" by Professor John Godard from the Asper School of Business at the University of Manitoba, is an expose of the rise and fall of the new managerialism which examines, since the 1950s Golden Age, supervisory practices in Western – mostly USA – workplaces and details their consequences, too many of which have been largely unforeseen. ▶ Chapter 42, "A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People" authored by Professor Mark Belnaves from Kuwait's Gulf University of Science and Technology, addresses one aspect of technology's role, the rise of the digital persona. Belnaves argues that this rise is a somewhat overlooked but undoubtedly sinister cause of (so-called) trusted sources no longer being as advertised. ▶ Chapter 43, "Why did the Great Recession Fail to Produce a *New* New Deal in the USA?" by

Professor Jon D Wisman from American University (Washington, D.C.), explores how and why a wealthy elite's command over ideology was significantly delegitimized during the Great Depression, but remained essentially unchallenged during the Great Recession, with the consequence that whereas a levelling of income, wealth, and privilege occurred in the wake of the earlier crisis, its widening has characterized the later one. Professor Bradley Bowden, from Griffith University, in ► Chap. 44, "Trade Union Decline and Transformation: Where to for Employment Relations?" writes a focused piece about the marginalization of unions and organized labor over the last 50 years. In this piece, Bowden shines a light on a key myth about the phenomenon. Specifically, he argues that it is not so much union decline which should be our analytic focus but rather how the construct of unionization has become largely the preserve of high-paid professionals; now well serving the interests of this cohort and neglecting organizational labor's traditional constituency, the low-skilled/low-paid. In ► Chap. 45, "The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch" by Professor Kathleen M. Park (Boston University and Research Fellow at MIT's Sloan School of Business) describes and interprets recent shifts in executive thinking. Her thesis on this topic explores the theme of the paradox of decline in ethical action in combination with a rise in ethics education. It also highlights the problem of an increasingly narrow focus in management thinking and priorities in the lead-up to the age of crisis. The conclusion of this section (► Chap. 46, "Conclusion: Management Theory in Crisis"), written by Professor Jean-Etienne Joullié, from the Gulf University for Science and Technology and Laval University, argues that in tandem with public policy failure, there has been failure on the part of management theorists to position their discipline in an appropriate epistemological framework. Joullié argues that their pretentions to establish management as science, on the same footing, for example, as physics, have fallen short. To the extent that the practice of management influences – and is influenced by – public policy, Joullié's chapter represents an appropriate conclusion to this section. Indeed, it reveals something about the systemic, and to an extent, exponential nature of decline. Insofar as the world of work and employment is concerned, it also sheds light on another aspect of how experts have failed to deliver.

Cross-References

- ► A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
- ► Conclusion: Management Theory in Crisis
- ► Labor and Employment Practices: The Rise and Fall of the New Managerialism
- ► Management History in the Modern World: An Overview
- ► The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
- ► Trade Union Decline and Transformation: Where to for Employment Relations?
- ► What Is Management?
- ► Why did the Great Recession Fail to Produce a *New* New Deal in the USA?

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41 Labor and Employment Practices: The Rise and Fall of the New Managerialism

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Contents

Abstract

Since the beginning of industrial capitalism, labor resistance and control have been central problems for management. Yet these problems have varied considerably, in large part depending on the context within which the employment relation is embedded and particularly the broader political economy characterizing it. Workplace and management practices have tended to develop in reflection of this context, while forming an important component of it, with social as well as economic consequences. This chapter addresses these practices, the conditions under which they have developed from the 1950s to present, and what some of their consequences have been.

Keywords

management history work employment HRM managerialism

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Since the beginning of industrial capitalism, labor resistance and control have been central problems for management (Bendix 1956) and ultimately states. These problems arise largely from the nature of the capitalist employment relation, yet have varied in large part depending on the context within which this relation has been embedded and particularly the broader political economy characterizing it. Labor and employment practices have tended to develop in reflection of this context, while forming an important component of it, with important social as well as economic consequences. In this chapter, I address these practices, the conditions under which they have developed since the so-called "golden age" of the post-World War II era, and what some of their consequences have been. A problem with any such analysis is that management practices have varied extensively within and across nations. I focus on practices dominant in the USA, but refer to this variation where relevant (see Godard 2019 for a comparative analysis).

The Golden Age and Industrial Pluralism

There is perhaps no better example of the importance of the broader political economy in which labor and employment practices are embedded than the "golden age" of the 1950s and 1960s. During this period, unemployment was at historically low levels and productivity, GDP, and income growth rates at historically high ones throughout the developed world. These conditions were associated with the growth of large scale work organizations, characterized by mass production technologies and operating in largely stable, concentrated markets. At risk of oversimplification, increased economies of scale achieved by these firms fuelled productivity increases that were shared with workers, thus enabling them to purchase more goods and services, and in turn generating increased demand and hence further expansions of productive capacity and the economies of scale deriving from them. A "virtuous circle" is thus said to have existed.

Of central importance to this circle were so-called labor-capital accords in most developed nations. These accords were often implicit, and many had begun to emerge prior to the Second World War. They also varied substantially from one nation to the next. But at minimum, they entailed economic policies designed to smooth economic cycles and minimize unemployment, coupled with social and labor market policies designed to ensure some minimum quality of life for those both in and out of employment.

In industrial relations and (what is now known as) human resource management, these accords meant improved rights and protections at work, including (in theory, if not always in practice) the right to meaningful collective representation and bargaining. This was especially true in the United States, where they also meant the adoption of bureaucratic workplace practices, including extensive job descriptions specifying what could be expected of employees, and seniority-based rules for determining promotion and layoff. They also entailed employer recognition and accommodation of what were seen to be distinctive employee interests and provision of wage and benefit gains commensurate with productivity gains and inflation. The expectation was that, in return, workers would come to accept their positions of subordination and that labor unions would play an important role in ensuring that they did so. In this regard, unions would address worker discontent through collective bargaining and representation, thereby helping to "institutionalize" and control conflict in the workplace and beyond. In effect, they were to serve as "managers of discontent," essentially playing an important if often contentious role for management (Mills 1948).

These practices were especially characteristic of large US employers located in what came to be labeled the "core" of the economy (Averitt 1968). State social and labor market programs were weakest in this nation, creating a condition under which workers remained highly dependent on employers for their economic and social welfare. Core employers typically provided an array of benefits, essentially ensuring that this would be the case, and workers came to enjoy the various rights and protections associated with union coverage. These firms were typically characterized by well-developed personnel and IR departments, which, in addition to performing basic personnel administration, were responsible for negotiating collective agreements and administering the various rights and benefits arising from them.

In an era characterized by low unemployment and rapid growth, and limited if any skill requirements for entry-level jobs, employee selection largely amounted to ensuring that applicants possessed minimum educational qualifications and capabilities. Once hired, new employees might be subject to some formal training, but for the most part the expectation was that they would develop firm-specific skill sets and experience over time. As they did so, they could expect to move up a "job ladder," into jobs characterized by higher pay and greater responsibility. Coupled with seniority-based benefits (e.g., vacation entitlements), workers had a strong incentive to conform to managerial expectations and remain "loyal" to their employer (Edwards 1979). Workers also came to expect regular, after inflation, improvements in pay and benefits, largely in reflection of ongoing improvements in productivity and ultimately their employers' ability to pay.

Although these arrangements were subject to criticisms that they favored more senior male and white workers, and although they fell far short of fully "democratizing" the workplace, they were in many respects much more consistent with democratic values than either the welfare capitalist practices that often preceded (and continued to compete with: Jacoby 1997) them or the new managerialist practices that were eventually to (in theory) supersede them. Clear work rules limited the range and amount of work that workers could be required to do, providing them with some measure of "concrete freedom on the job" (Perlman 1949). Workers could not be arbitrarily disciplined and had a right to due process should they be. Promotion was based not on currying favor with supervisors or with willingness to "rate bust," but rather on largely objective seniority criteria that could reasonably be associated with ability and experience. Workers could expect to receive decent pay and benefits, enabling them to participate as equals in civil society. They also enjoyed substantial job and income security, protecting them from the exigencies – and coercion – of market forces. Finally, through their union, they could develop a true sense of fraternity and empowerment at work, and even meaningful voice in their political system.

These arrangements were in considerable measure a product of the times. It would appear, for example, that the willingness of US employers to accept and work with labor unions was largely pragmatic. Labor stability and acquiescence were essential if these employers were to take advantage of expanding markets and achieve ongoing productivity gains, providing unions with substantial power at the bargaining table, and rendering employers dependent on union ability and willingness to manage discontent in the workplace – in return for substantial concessions and acceptance of the union as a legitimate entity. Many of the rights and protections granted at the bargaining table were also consistent with the orderly management of human resources and largely complementary to the bureaucratic organizational structures that had become predominant in large employers – structures that were in turn conducive to relatively high levels of market stability and high levels of market concentration. Indeed, most large nonunion employers adopted similar policies and practices, in part as a "union substitution" strategy, but also because they were consistent with efficiency interests. Finally, this was the cold war era, in which a central tenet of the dominant ideology (especially in the USA) was that only capitalism could be expected to deliver steadily improving jobs and living standards. This tenet became central to worker expectations and, in the USA, the "American way."

These arrangements were also limited in both coverage and effectiveness. There continued to be a large economic periphery characterized by relatively low pay and largely autocratic employment practices (Averitt 1968; Galbraith 1973). Employers in this sector tended to be small or intermediate in size and to operate in more competitive markets than their counterparts in the economic core. They also tended to be more labor intensive and less subject to the kinds of productivity gains enjoyed by these employers. Most important, they were typically not just nonunion, but aggressively antiunion.

Even in the economic core, however, a number of employers managed to remain nonunion, and groups and associations backed by many core employers continued to mount substantial attacks on 'Big Labor' (Jacoby 1997; Godard 2009). There also continued to be substantial resistance on the shop floor (see Fairris 1994). Although workers and their leaders had come to largely accept management's right to manage, they still found themselves in positions of subordination, often in dehumanizing, Taylorized jobs (O'Toole et al. 1973: 29–38). But because they had substantial rights and protections, they could engage in acts of resistance with less fear of retribution. It is little coincidence that the study of "organizational behavior," with its focus on problems of motivation, leadership, and group norms, flourished in the 1950s and 1960s – even if this field has failed to ever grasp how the nature and context of the employment relation gives rise to these problems.

There were also important differences between the archetypical US "core" model and the dominant management models in other developed countries (see Marsden 1999). For example, British workplaces during this period were characterized by less formal structures and hence by greater reliance on worker discretion and good will than in the USA (e.g., Burawoy 1985: 139–40). Union recognition by employers was also voluntary, yet with density much higher than in the USA, and formal bargaining tended to be at the industry level, yet supplemented by on-going, informal bargaining at the workplace level. Personnel management and industrial relations would seem to have been largely undeveloped (Guest and Bryson 2009: 124).

In Germany, the combination of a strong state, a strong vocational training system, very high union density, industry-wide bargaining, worker representation on supervisory boards, mandatory works councils, and ultimately an alternative variety of capitalism, made for a substantially different management context. Although German workplaces may have been bureaucratic in design, workplace rules were jointly determined and hence differed substantially from those of US workplaces. Moreover, US-style internal labor markets were unsuited to the German workplace, where training and advancement were based on the German vocational skill system and depended much less on informal, on-the-job learning and seniority (Marsden 1999: 119–28). Finally, decision making was not just accommodative, it came to be largely collaborative (see Adams 1995: 142–49).

Despite these differences, it can be reasonably concluded that, indeed, bureaucratic work organization in some form came to be omnipresent, and accommodation of worker interests and organizations (i.e., unions) central to managerial policies in the core of major developed economies. In this regard, the term "industrial pluralism" was popularized to refer to the widespread belief that workers and management had distinctively different and often conflicting interests and that accommodation of these differences was not only essential to the maintenance of industrial stability but was also a hallmark of modern democracy. The practical realization of this belief may have varied, but it was made possible by the ability of employers to grant bureaucratic terms and conditions of employment and continual improvements in incomes. It was also accompanied by a culture of entitlement, under which workers came to believe that they had a right to expect fair and just treatment at work and steadily improving living standards in return for their subordination.

The Demise of the Golden Age

The preconditions for the post-World War II model began to break down in the mid-1960s, as the economies associated with large scale mass production (aka "Fordism") began to diminish (see Harvey 1989: 141–72; Arrighi 2007:123–30; Glyn 2006). Not only did productivity growth and profitability begin to decline, price inflation began to increase, largely in reflection of massive US-government spending on the Vietnam War but also the inability of firms to provide the steady wage increases central to postwar accord without having to raise prices. Where the former made it increasingly difficult for employers to grant the kinds of increases in real income that had been central to the postwar accord, the latter threatened to undermine living standards and increased cost uncertainty for employers. Labor unrest also began to increase, as employers attempted to reduce annual wage increases, workers rebelled against often boring and even dehumanizing work, and employers increasingly sought productivity gains by intensification of work processes rather than efficiency gains. These problems continued throughout much of the 1970s and into the early 1980s. Inflation was further fuelled by OPEC oil price increases in 1973 and then 1979. International competition, particularly from Japanese producers in the automobile and electronics sectors, also became increasingly intense, putting pressure on employers to enhance quality and output levels.

By the end of the 1970s, the political climate had also begun to shift considerably. Economic liberalism, which many thought had been fully discredited half a century earlier, was resurrected and reborn under the nomenclature of "neoliberalism." The postwar accord and the government policies associated with it came under increasing attack from politicians and pundits adhering to this dogma, supported by a network of privately financed "think tanks" and institutes (e.g., Harvey 2005).

These developments were most pronounced in the UK, the USA, and to a lesser extent Canada. The postwar accords in these countries were always relatively weak, especially in comparison with those in their more corporatist European and Scandinavian counterparts, where worker rights and protections were stronger, labor unions represented a large majority of workers, and institutional conditions induced employers to adopt more of a "stakeholder" orientation. These differences, coupled with different political traditions and more "coordinated," social market economies, meant that employers, labor unions, and governments found it to be in their interests and capacities to achieve consensus as to how to address the new economic "realities" they confronted. This was reflected in strike activity. Although there was some increase in labor unrest in these countries, strike activity remained almost trivial compared to levels in the USA, Canada, and the UK (Godard 2011), where there was little foundation for such consensus.

These differences were stark with regard to the USA, which had a long history of institutional norms favoring strong property rights, weak labor rights, and weak government (e.g., Godard 2009), and a political system with only weak checks and balances against corporate interests (Jacoby 1991). As a result, commitment to the postwar accord had always been pragmatic, but the "new deal" labor laws and policies supporting it had always been fragile. Indeed, laws supporting the right to form a union were virtually gutted within only a few years after the conclusion of the Second World War, if not earlier, and union density had begun to slowly decline before the end of the 1950s (Godard 2009).

Combined with the rise of the political right and the election of Ronald Reagan, the result was a shift to neoliberal state policies, characterized by weak rights and protections for workers, government and corporate attacks on labor unions, deregulation, privatization, liberalization of international capital markets, and harsh monetary and fiscal policies. There was an ensuing substantial weakening (or even gutting) of the postwar accord, creating a more hostile environment for both workers and their unions. This was accompanied by the growing "financialization" of the economy, as financial interests gained enhanced control over firms, and decision making came to be increasingly emphasize short term financial gain over longer term growth, productivity, and even profitability (Harvey 1989; Ho 2009). Repeated acts of "downsizing" and plant closures, coupled with high levels of unemployment and a substantial weakening of labor unions, essentially created a more submissive and insecure workforce, achieving labor "peace" in considerable measure through coercion rather than consent.

In contrast to the US case, governments in Canada and the UK made some effort to forge a new consensus, in reflection of their more paternalistic and hence accommodative political traditions. But these efforts ultimately failed. In the UK, a Labor government's efforts at a corporatist settlement collapsed during the "winter of discontent" in 1978–1979, helping to create the conditions for the election of Margaret Thatcher and a dramatic shift towards neoliberalism in the 1980s. In Canada, an effort to cure inflation with wage and price controls in the late 1970s failed, ushering in a conservative government and a turn towards neoliberalism, albeit one that was more gradual and less dramatic than in the UK.

Although it varied in specifics, the shift to neoliberalism came to be largely institutionalized in western countries. It also came to dominate elite economic and political thought, giving rise to the "Washington Consensus" and the neoliberal trade policies and agreements associated with it. Growing hyperbole over globalization, along with enhanced competition from newly industrializing economies, only served to further cow workers and their leaders. The culture of entitlement that had developed during the golden age gradually gave rise to one of compliance. Within this culture, it was no longer appropriate to expect more, or even to expect either states or employers to provide the rights and protections that could be taken-for-granted in the postwar era. There was to be no quid pro quo for subordination – other than a permanent, full-time job if one was lucky, and decent pay and benefits if one was very lucky.

Managerialism Redux

The developments of the 1970s and 1980s created the conditions for the emergence of new managerial ideologies. Pundits argued that the postwar model of management was obsolete and that there was need for corporations to eliminate bureaucratic hierarchies and replace them with more organic, "clan" forms of organization (e.g., Ouchi 1980, 1982). These were sold as consistent with Japanese management practices, which were to become a fad in business schools throughout the 1980s.[1] As promoted by business school academics, there was need to return to a more unitary, managerialist approach, albeit under a new and more sophisticated guise than in the past (Godard and Delaney 2000). Under this approach, workers would in theory be viewed not as "costs" or "problems" to be managed, but rather as resources to be developed and deployed so as to unleash their potential. A critical underlying

[1]Arguably, much of the management literature on Japanese practices was based on a fundamental misunderstanding of how and why the Japanese system actually appeared to work The Japanese system has traditionally been characterized by a collectivist (almost feudal) orientation, with strong norms privileging worker ("member") interests over those of shareholders, a strong belief in relative equality, and noncompetitive (within Japan) markets. This could not be more different than the US case, yet is something that business school academics seemed unable (or unwilling) to process (e.g., Dore 2000).

assumption was that worker attitudes and behavior could be readily molded to suit managerial goals.

This argument was both facilitated by and facilitative of the continuing shift towards neoliberalism and the culture of compliance it generated. Both made it increasingly possible and profitable to discard the more pluralistic, accommodative practices of the postwar era. In particular, compliant workers, faced with a growing scarcity of good jobs and constant threats of job loss should their performance be unsatisfactory, coupled with weak employment laws and weakened labor unions, meant that employers virtually had a green light to either ignore or radically reshape the post-World War II accord as they saw fit. Emergent managerial ideologies provided both the justification and the motivation for doing so. Although they overlapped, there were three such ideologies: (1) the "new" HRM (aka "strategic" HRM), (2) the high performance paradigm, and (3) the flexible firm thesis.

The new HRM was perhaps the most central to the new managerialism. Although there were initially different variants of this new paradigm (see Legge 1995b; Strauss 2001), all were predicated on the argument that the management of "human resources" is of key strategic importance and can serve as an inimitable source of competitive advantage if only the appropriate policies and practices are adopted (Tichy et al. 1982). Under the new HRM, selection is to become more "scientific" and based on values and social skills as much as technical acumen or general ability. The implicit assumption is that workers should be hired only if they are likely to buy into management goals and be good "team" players. Training and development are to be enhanced, but more so as to further inculcate management values and skills than so as to develop technical abilities. Workers are to be subjected to regular performance appraisals, based on "scientific" supervisory assessments, and on specific performance criteria against which employees can be evaluated and compared. In turn, pay and promotion are to be linked to performance rather than to seniority. Finally, firms should engage in strategic HR planning, and HR conisderations should play a key role in strategic management decision processes.

Proponents of the new HRM typically had little to say about worker rights or labor unions, at most tending to advocate nonunion communication and "justice" systems.[2] In effect, where the traditional model assumed that workers were distinctive stakeholders and hence that there was need to accommodate their interests and values, proponents of the new HRM assumed that worker perceptions of their interests could be altered so as to conform to managerial goals. Unions were considered to be both unnecessary and undesirable unless they were willing to discard their traditional, adversarial approach and collaborate with the employer.

There were also a number of variants of the high performance paradigm (e.g., Godard 2004). But as conceived by the "MIT school," this paradigm focused more

[2] I need to emphasize "typically." The so-called "Harvard" version (Beer et al. 1984, 1985) did pay attention to labor-management relations, as did an "MIT" version (Kochan and Barocci 1985). Yet these variants seem to have been rapidly eclipsed by a more unitary, performance driven version, dominated by psychologists with little concept of labor unions or why they exist (Godard 2014; Beer et al. 2015).

on the design of work and on workplace participation systems than did the new HRM (see Kochan and Osterman 1994; Pfeffer 1994). Under the postwar model, workers tended to be assigned to clearly defined, individualized jobs and had little input into decisions that might affect how they performed these jobs. In effect, they were hired into a job and simply expected to do it. The high performance paradigm instead advocated more flexible job designs, with multiskilling, job rotation, and, most important, team-based work systems, where workers could perform a wider variety of tasks in conjunction with their fellow team members. In the ideal, teams would be self-directed or "autonomous," controlling the pace at which they worked and how they did their work, and with limited if any direct supervision. They would also have responsibility for a measurable output, with bonuses based on team rather than individual performance. Accompanying these teams would be various participation and communication systems, including labor-management "steering committees," "quality circles," team "briefings" (information sessions), periodic "town-hall" meetings, and a variety of added information sources (e.g., newsletters) on developments in the workplace.

In theory, these practices were most effective at enhancing performance if implemented in conjunction with lean production and total quality management systems (Lawler 1986) and if fully accompanied by complementary HRM practices (Pfeffer 1994). The HRM practices advocated were largely consistent with the new HRM, although they also entailed promises of job security and efforts to work with unions under the guise of a win-win "mutual gains" approach (Pfeffer 1994; Kochan and Osterman 1994). In theory, both helped to create the levels of loyalty and "buy-in" necessary for the effectiveness of high performance systems. They also facilitated flexibility in the allocation and use of human resources.

The major difference between the new HRM and the high performance paradigm was that the former typically assumed an entirely unitary model of the firm, under which workers can be selected, indoctrinated, and "incentivized" to identify with employer interests, while the latter viewed workers as distinctive stakeholders. The latter, however, may also be labeled as "managerialist," as it also assumed that loyalty and commitment can be maximized, and conflict minimized, if management only adopts and correctly implements the appropriate policies and practices (Godard and Delaney 2000). It was also predicated on the existence of a compliant labor force, with only weak rights and protections in the labor market, and largely compliant labor unions. Again, neoliberal government policies largely created these conditions.

The third ideology emergent during this era was the "flexible firm thesis" (Atkinson 1984; see Legge 1995b: 139–73). This thesis included more flexible job descriptions, multiskilling, job rotation, and team-working, all of which are part-and-parcel of the high performance model but do not require implementation in conjunction with it. It also included, however, increased use of temporary and part-time employees, increased "outsourcing," and an increased willingness to lay-off workers, none of which is consistent with the high performance model. These practices were argued to have been increasingly adopted by employers in order to adjust to fluctuations in demand in a more uncertain and competitive economic environment. In this regard, the flexible firm thesis may have been somewhat less normative than its other two counterparts, although a clear implication was that firms would and *should* become increasingly flexible over time.

Again, the assumption underlying the flexible firm thesis was of a largely neoliberal environment, under which management was subject to few meaningful constraints from either governments or unions and could count on a largely compliant labor force, with few options other than to take whatever jobs were on offer. It became commonplace for management pundits to proclaim that the full-time, permanent jobs of the postwar era were largely dead, except perhaps for a privileged group of essential workers, and that workers must expect to constantly "remake" themselves as they moved from one job to another. More important, this thesis became central to the argument that problems of economic growth were caused by unduly rigid labor markets and that there was a need to further weaken labor rights and protections in order address them. This thesis became especially prominent in European economies and provided the justification for a variety of neoliberal reforms (Thelen 2014).

The Limits to the New Managerialism: Ideology vs. Practice.

The new managerialism, and particularly the new HRM, became very much the rage in business schools within but also beyond the USA, spawning the newly formulated (or reformulated) area of study, Human Resources Management, and gradually eclipsing the field of industrial relations in both academia and management practice. The practices associated with it also generated considerable controversy. Although proponents typically assumed that these practices were "win-win," improving both job quality and performance, more critical scholars argued either that they involved work intensification and management by stress (Graham 1993), or that they largely amounted to ideological justifications for undermining the quality of employment (Legge 1995a, b), or that they represented a new and more insidious form of control, characterized by hidden forms of power and domination and designed to alter worker norms and consciousness (Townley 1994), or that they simply did not generate the promised "payoffs" in most contexts (Godard 2004; Kaufman 2015).

The available empirical evidence, however, calls into question just how widely the sets of practices associated with the new managerialism ever came to be adopted (Godard 2004) or how much of a difference they have made where adopted. To begin, increases to part-time and temporary employment have been relatively limited and highly variable across nations. For example, in the USA, only 4 percent of labor market participants were in temporary positions as of the mid-2010s, and although part-time work accounted for 13 percent of the labor force, this was little changed from the 1970s (OECD 2017; Bernhardt 2014: 5). In the UK, the equivalent statistics were 6 and 24 percent, respectively, with the latter having increased by only 6 percentage points from the early 1980s. Moreover, those increases that did occur in the UK and elsewhere may have been in large measure attributable less to employer practices in large firms than to the expanding share of jobs in the retail and accommodation sectors. Although larger, "core" sector employers may have made increased use of these practices, it would seem to have been indirectly, through the contracting out of subsidiary functions (e.g., food services, security, janitorial; see Bernhardt 2014: 8–13; Bernhardt et al. 2016: 27).

Moreover, evidence as to job stability suggests that, if anything, there has been an increase in average job tenure in most developed nations (at least, since1992: OECD StatExtracts 2017). This is not consistent with arguments that employers have become quicker to lay off workers than in the past. Indeed, even in the USA, where restrictions on layoffs are perhaps the lowest in the developed world, it appears that, at least since 1984, those changes that occurred largely tracked changes in unemployment levels and in this sense suggest little major shift in employer practices (Bernhardt 2014; Farber 2015). UK data also suggest a long term decline in both voluntary and involuntary separations since at least the mid-1990s (Bewley 2013).

Similarly, as of the early 2000s, large scale government surveys revealed that fewer than one in ten employers in the USA, UK, and Canada had adopted autonomous teams for their core workers (e.g., Blasi and Kruse 2006; Kersley et al. 2006; Godard 2017: 137), even though these are central to the high performance model. It would appear that some of the practices (e.g., appraisals) associated with this model and with the new HRM have been widely adopted (Godard 2004; Wood and Bryson 2009: 160); my own surveys of workers in the USA, UK, Canada, and Germany in 2003 and 2009 tend to bear this out as well (see Godard 2019: appendix). But the adoption of these practices does not appear to reflect any widespread fundamental change in management regimes (e.g., see Boudreau and Lawler III 2014). In most cases, their adoption seems to have been piecemeal and grafted on to more traditional (albeit perhaps weakened) bureaucratic practices (Godard 2004; Godard 2019: appendix), involving what Legge has labeled "thinking pragmatism" (1995b: 330) and Boudreau and Lawler III (2014) as "stubborn traditionalism."

This is not to suggest that there have been no substantive changes in management practices over the past three or more decades. In actuality, available data on the former are almost nonexistent for the period prior to the mid-1990s, which is when these practices were most heavily promoted. The best available (UK) data do suggest, however, that the level of real change in work and HRM practices would appear to have been limited to a few "new" practices (e.g., information sharing and briefings) and to have been gradual (e.g., Wood and Bryson 2009: 159).

How much of an actual difference these practices have made to labor and employment relations is also not clear. There has in this regard been a virtual cottage industry of studies attempting to establish that both high performance and new HRM practices have meaningful effects. Yet reviews of the most carefully conducted studies have concluded that these studies have typically yielded either weak or readily contestable results (Delaney and Godard 2001; Godard 2004; Wall and Wood 2006; Marsden and Canibano 2010; Kaufman 2015). The most widely cited meta-analysis of the research (Combs et al. 2006) finds a modest positive effect, but to obtain this effect, it lumped together all manner of practices, including those associated with the traditional, postwar model (Kaufman 2015). It also found little association for performance appraisal systems, teams, and information sharing, all of which are central to the literature. A subsequent meta-analysis (Jiang et al. 2012) is also unconvincing.[3]

A particular problem has been that employers may adopt some or many of these practices in some form, but just how extensively they do so, or whether they even represent anything new, may vary considerably. For example, the organization of work in groups or small departments has always been widespread, and so it is possible that the word “team,” which seems to have become widespread (e.g., Kersely et al. 2006: 90), often entails more of a semantic than a substantive change to how work is performed. This is especially so given the limited implementation of “self-directed” teams noted above. In addition, however, appraisal systems would seem too often be largely bureaucratic exercises with little purpose other than to placate HR departments and create the appearance of professional management.

The research does seem to show that some professional HRM and “new work” practices have, on average, positive performance effects (e.g., training, performance pay, profit sharing), and it may be that some of these practices (e.g., in the UK, appraisals: see Bewley 2013) have continued to diffuse across employers. But even if so, this may simply reflect the adoption of more formally rational management techniques, made more possible by a neoliberal context and a more compliant workforce, rather than a magic elixir associated with these techniques or some Foucauldian spell they cast over workers. Employers adopting such practices may be more sophisticated than those that do not do so, but how much of a change in workplace relations or even in the employment experience their adoption has entailed remains uncertain in view of the existing research. This is especially true if one compares their implications to those of more traditional bureaucratic practices. It is in this respect quite likely that the latter may indeed have been weakened somewhat, especially in nonunion workplaces in the private sector, but they would still appear to be prevalent and, indeed, judging by much of the research on high performance work systems, many of them (e.g., seniority rules, internal “justice” systems) now seem to be considered as part-and-parcel of “best practice” (Godard 2004; Kaufman 2015).

This conclusion is reinforced by research into the effects of new HRM and work practices on workers, which suggests that only limited effects for various new work and HRM practices (see Bockerman et al. 2012; Godard 2010). In this regard, a particularly striking finding from a more recent (2009) survey of US workers is that more traditional bureaucratic practices have far more positive implications for

[3]It suggests positive effects for various categories of work and HRM practices, and for a combined overall measure labeled as “high performance work systems” – which now seems to have become a generic term that includes any and all HRM and nonbureaucratic work practices rather than those associated with the high performance paradigm as initially formulated. As for other meta-analyses, however, this analysis included such a potpourri of measures, from studies of such varying quality that it is difficult to know what the authors really found. It also suffered from a number of the problems associated with these sorts analysis (see Jiang et al. 2012: 1278–79).

various dimensions of job quality than do their more recent "new" counterparts (Frege and Godard 2014). Thus, to the extent that the former have replaced by the latter, the net outcome is likely to be worsened. But the available evidence suggests that this has not, in any case, generally happened, and that "old" and "new" practices bear quite strong positive associations (Frege and Godard 2014: 961). So it would seem that "new" practices may have altered the experience of work somewhat in the USA, but not in any fundamental way.

Again, however, it is difficult to generalize across nations, as much may depend on the institutional context within which various practices are implemented. For example, drawing on the European Working Conditions Survey, Lorenz and Valeyre (2005) found that the adoption of new work practices tended to be much more consistent with a learning model in Germany and the Scandanavian countries than in Britain and Ireland, likely in reflection of better employment protection and vocational training systems in the former. In their study of US and German workers, Frege and Godard (2014) found that the frequency with which individual "new" practices have been adopted varied considerably between the USA and Germany, likely because German institutions allow a much greater role for worker interests in the determination of these practices than is the case for the USA, but also because the problem of control is addressed through national institutions rather than employer practices, thereby altering both their purpose and their design. It also found that the "effects" of these practices on workers are far more positive in Germany than in the USA; in turn bureaucratic practices had much smaller effects than in the USA, likely because institutions ensure less need for the various protections these practices provide in the latter. So, again, it would appear that the practices adopted and their apparent effects depend very much on the institutional environment in which they are adopted. Perhaps paradoxically, a neoliberal context may make it easier to implement these practices, but it may also mean that they are less effective for management (Godard 2004).

It would also be a mistake to assume that these practices have remained static and hence that their effects on labor and employment relations have not strengthened over time. As for any "innovative" practices, there has likely been substantial learning and adjustment, as employers determine what seems to work and what does not and as new iterations emerge. For example, the term "talent management" has become increasingly predominant in the HRM literature, suggesting a stronger human capital development orientation than initially found in the new HRM literature (Dundon and Rafferty 2018). It would also appear, partly in reflection of this orientation, that employers have begun to rely somewhat more on external labor markets than in the past and are more likely to focus on (and reward) "core" employees at the expense of their more peripheral counterparts.

In addition, the "subjects" of "new" work and HRM practices may adjust to them over time in ways that either enhance or diminish any effects that they do have, or they may develop ways to alter or undermine them depending on their orientations and opportunities to do so (see Vallas 2006). Alternatively, many of these practices (e.g., appraisal, performance pay) may remain in name only, as managers seek to avoid discord and hence only go through the motions (e.g., give everyone the same bonus). My own (Canadian) research finds, for example, that although high performance work practices appeared to have had both positive and negative effects for workers as of the 1990s, their negative effects seem to have declined a decade later, and any positive effects they still had were limited to participative practices in union workplaces (Godard 2010).

More important, the effects of these practices on workplace relations may have been altered over time as complementary information and communications technologies have become more sophisticated. This may be the case if the latter enhance access to knowledge and facilitate learning through various feedback systems (Martin 2017). It may also be the case if they facilitate the constant surveillance of workers, through secondary listening devices, automatic customer feedback surveys, remote tracking systems, and performance metric systems (Green 2004).

These caveats notwithstanding, the available evidence just does not suggest that the practices associated with the new managerialism have in themselves had particularly strong effects on labor and employment relations Their main effect would seem to have been to help HRM practitioners elevate their stature and hence influence in organizations, adopting various credentialing systems and promoting themselves as "professionals" (Guest and Bryson 2009: 124). These practitioners would in the process also seemed to have undergone an ideological shift, under which they are less likely to recognize that workers may have distinctive interests and more likely to try to legitimate themselves as essential to the "strategic" interests of the employer (Kochan 2007). This shift has been accompanied by an Orwellian change in language-in-use, designed to create the impression of a unity of interests (e.g., "team" instead of "group," "unit," or "department"), and an implied expectation that workers will behave accordingly.

Underpinning much of this change has been the emergence of a new and (initially) burgeoning area for business school academics with a vested interest in establishing the performance effects of new work and HRM practices (Legge 1995b: 319–21; Kaufman 2015) and in developing seemingly new "innovations" for management (e.g., Gittell 2016). Often, this research has been highly instrumentalist, promoting an objectified view of workers (and employees in general), not as *human* resources, but rather as simply resources (Godard 2014). This may in turn be transmitted to HRM practitioners and students, ultimately hardening managerial orientations towards workers.

Overall, the primary effect of the new managerialism may have been to alter how managers think about workers, and what they expect from them, rather than to alter the actual work and HRM the practices adopted. To be sure, both popular accounts and the available research point to an intensification of the labour process (Green 2004, 2006) and a lowering of job quality (Green 2004, 2006). But these developments have been largely made possible by the rhetoric and the realities of neoliberalism, the culture of compliance that they have generated, and the application of new technologies of control. To the extent that the new managerialism has played a role, it has been mainly to reinforce and help to obfuscate these developments through its introduction of a unitary ideology and language-in use.

The End of the New Managerialism?

Although its overall implications may be debated, it would now appear that the era of the new managerialism is coming to an end (if it has not already done so). For a significant portion of the economy, we may even be witnessing the decline if not the end of the HRM function and even management as it has come to be understood.[4] This may be especially so in liberal market economies, where the new managerialism (and neoliberalism) has been most prominent.

First, even if new work and HRM practices do make some difference to performance, their overall success has proven to be limited, and any contributions that they have made are likely to have already been realized (e.g., in the UK: see van Wanrooy et al. 2013). It would appear in particular that HRM has failed as a "strategic" area (Boudreau and Lawler III 2014) and that those employed in it are once again perceived to be performing a largely bureaucratized, secondary function – one that may actually do more to frustrate than to facilitate performance. In larger, more "responsible" employers, there has been a proliferation of various family friendly, diversity, "wellness," and "respectful workplace" initiatives, but these are just sticking plaster for problems largely created by the more coercive and stressful environments (both at work and outside of it) in which workers find themselves. Although they may help to advance employer scores on various "best employer" rankings and may have positive implications for subsets of workers, they are a long way off from the strategic role promised by proponents of the new managerialism.

The HRM function itself may also be increasingly falling victim to outsourcing to third parties specializing in selection, appraisal design, training, and pay systems (Greer et al. 1999), thereby hollowing out HR departments and rendering them little more than clearing houses for the selection and monitoring of these parties and their programs. There seem to be no strong data on the extent to which this has occurred, but in an environment in which most labor market participants are desperate to get a "good" job, there is in any case rarely much need for elaborate search, selection, and indoctrination processes. Again, this may be especially true of the USA, where workers have very little by way of rights and protections both within and outside of the employment relationship.

New technologies may also have significantly altered the HRM function. The application of these technologies can reduce selection, monitoring, and evaluation processes to little more than the use of elaborate online score-cards, essentially eliminating the need for judgement or expertise (Head 2014: 66-71). Of particular

[4]This section is largely speculative and calls for a more thorough analysis than is possible here. Such analysis would likely be most effectively informed by some variant of regulation theory and couched in terms of the end of neoliberal globalization as a "regime of accumulation," drawing parallels with the end of "Fordism." However, I am struck by just how much the analysis in this and the preceding section is consistent with Karen Legge's analysis more than two decades ago (Legge 1995a, b, esp. 286–340). I had not read this carefully until putting the final touches on the present chapter.

note has been a corresponding growth in consulting firms selling sophisticated information systems with the potential to marginalize or even eliminate HR departments.

The ability to continuously monitor employees and track their performance would appear to have become widespread, in effect leading to the "robotization" of much work if not the replacement of workers with actual robots. These systems would appear to be especially characteristic of major employers emergent during the neoliberal era (e.g., WalMart, Amazon: see Head 2014: 30–40) and have implications not just for the function of HRM but also for the practices to which workers are subject. These employers are generally intensely antiunion, provide workers with few if any meaningful rights or benefits, pay low wages, and rely extensively on temporary and part-time workers. They also outsource extensively, relying either on "temp" firms for a portion of their labor force or on "offshoring" for a sizeable portion of their production. To an extent, these practices may be viewed as an extension of the flexible firm thesis, although they appear to be motivated entirely by cost considerations and not by any need for flexibility per se. Where they are adopted, the employment relationship tends to be both autocratic and exploitive, with HRM departments playing, at most, a legal monitoring role.

The growth of so-called "platform work" and the "gig" economy would appear to take the application of new technologies to an even further level. These jobs give rise to highly controlled, autonomized conditions, in which workers have very little task discretion and limited if any interaction with co-workers. Rather than adopting practices that are merely facilitated by a neoliberal environment, these jobs actually internalize this environment, with workers treated as independent contractors and expected to perceive themselves as such, yet subject to employer rules and monitoring. New technologies, and the firms that control them, have been the handmaidens for these developments, essentially playing a mediating role between employers on the one hand and workers on the other (Katz and Krueger 2017), and effectively obfuscating the employment relationship through a technological variant of Marx and Engels' "cash nexus" (1848). Although these jobs would appear to account for a minute portion of the labor force as of this writing, the evidence suggests that they have been growing rapidly over the past decade.[5]

Overall, these developments suggest that the era of the new managerialism is at an end. This is not because the traditional employment relationship is no longer prevalent; indeed, the overwhelming majority of jobs continue to fit this characterization or some variant of it. But notions of self-directed teams and employee consultation now seem to be almost quaint, and the elaborate selection, socialization, and performance management practices of the new HRM just another set of bureaucratic rituals, designed mainly to bolster management's belief in its own

[5]Although it would appear that the so-called gig economy amounts to only a tiny percentage of jobs (in the USA, less than 1.0%: Hall and Krueger 2018: 708), the available evidence suggests that roughly one in six workers in the USA is now either an independent contractor, an on-call worker, a temporary help agency worker, or a contract firm worker. It further suggests that these jobs have accelerated since the mid-2000s, increasing by from 60 to 70 percent between 2005 and 2015 (Katz and Krueger 2016).

professionalism. Not only does HRM for-the-most-part fail to deliver much "strategic" payoff, even its basic functions seem to be increasingly obsolete or at best highly routinized and threatened by outsourcing.

Of equal or even greater importance, the conditions that initially gave rise to the new managerialism may also be coming to an end. To begin, it would appear that the compliant worker has been giving way to the calculative worker of neoliberal theory, where workers are characterized by low levels of engagement and motivated largely by carrots and sticks, à la Taylor's scientific management. To the extent that it is possible to continuously monitor behavior and performance, this augurs well for employers, in effect providing the basis for a new regime of control. Yet the ability to do so would, despite the application of new technologies, seem to be inherently limited in most sectors. This has left many employers having to face a "crisis" of engagement. Their workers may still be highly compliant, but this compliance is contradicted by low levels of loyalty and, more important, hidden forms of resistance (e.g., Paulsen 2014: 1–16). Within such an environment, "new" HRM practices and their high performance counterparts are even more futile, especially if their objective is to develop high levels of commitment or involvement rather than to merely intensify the work process or exact greater compliance.

More important, substantial declines in unemployment, coupled with a growing awareness of inequality, a lack of meaningful income growth, inadequate pensions, increasingly precarious health coverage, and a hollowing out of democratic institutions (e.g., labor unions) may create a complementary yet broader culture of generalized hostility. There has been an expectation of eventual reciprocity and hence reward after many, many years of compliance, only to be met with continued degradation. This has been substantially worsened by the great recession of 2008, which reversed any gains that workers were beginning to enjoy at the turn of the century, and subsequently reinforced the perception that the system is rigged against the "average" citizen.

In the post-World War II era, the workplace was in many respects the outlet not just for discontent at work, but also for broader sources thereof. Labor and employment practices, and particularly the willingness to accommodate the distinctive interests of workers, coupled with effective union representation and regular income gains, played an important role in lessening not just economic instability, but political and social instability as well. Neither would appear any longer to be so. Instead, discontent has come to pervade civil society. This discontent is not just a reflection of labor market and work experiences. It also reflects the broader failure of neoliberalism, and especially neoliberal globalization, to deliver on its promises.

Yet, again, the extent to which this has been the case varies within, and more important, across nations, depending on occupational location but also broader institutional conditions and cultural traditions. These problems would appear to be most pervasive in neoliberal economies, and this would indeed appear to have been the case, especially if one judges by the management literature, but also if one judges by political developments in the USA (Trumpism) and the UK (Brexit) at the time of this writing. These developments will likely only lead to even greater public anger and frustration once the populist promises driving them have proven to be false. Yet even if not, they portend an end to the era of neoliberal globalization, the limitations *to* which, and consequences *of* which, have in any case been increasingly exposed since the 2008 crisis.

The great question is not so much one of whether these developments will usher in a new political economic era, but rather one of what this era will look like. The answer to this question will have major implications for labor markets and ultimately labor and employment practices. Whether it will entail a further neo-liberalization and intensification of work and employment, or whether it will entail some sort of "new" new deal, in which genuinely democratic values and principles predominate (e.g., Frege and Godard 2014) remains to be seen. The answer will likely vary by sector and nation, and be substantially influenced by the ways in which emergent technologies are deployed. But either way, it would seem that the new managerialism is now, or will soon become, yesterday's news.

Cross-References

- ► A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
- ► Conclusion: Management Theory in Crisis
- ► Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era
- ► Management History in the Modern World: An Overview
- ► The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
- ► Trade Union Decline and Transformation: Where to for Employment Relations?
- ► What Is Management?
- ► Why did the Great Recession Fail to Produce a *New* New Deal in the USA?

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A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People

42

Mark Balnaves

Contents

Abstract

Primo Levi, a victim of Auschwitz, warned in an interview to The New Republic in 1986 that empathy in contemporary industrial societies can disappear without warning and replaced with a new fascism, which "with its trail of intolerance, abuse, and servitude, can be born outside our country and imported into it, walking on tiptoe and calling itself by other names; or it can loose itself from within with such violence that it routs all defenses." Professor Anthony Gould in his introductory chapter provides a timely reminder, and warning, that public policy and management theory are not necessarily simply a matter of clinical, scientifically constructed, models, but a part of genuine human forces, historical and otherwise, that have led to an age of crisis. Levi's point is that events in the contemporary moment can move far faster than we recognize and trusted sources disappear even faster. In this chapter, the author provides a brief overview of the rise of digital personae in the context of intentionality and the trusted source.

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Digital persona · Trusted news source · Internet privacy · Electronic markets · Persona studies

High frequency trading algorithms got a shock in 2013 when an AP tweet claimed that Barack Obama had been hurt in an explosion. Over USD $130 billion in stock value was wiped in minutes. AP said its Twitter account had been hacked and the stock prices recovered quickly. Social media, clearly, affected the stock market. Bad news, good news, false news, true news, public opinion are all part of the mix of markets in the good old days and in the contemporary moment of fake news. However, fake news has introduced a new element in the reign of President Donald Trump that affects the checking of facts in the business of media and the business of business. The trusted source is no longer trusted. The rise of active and passive digital personae, swarms and doxing, have amplified gossip, rumor, populism, and confused the checking of trusted sources.

Of course, businesses can make money by delivering false news, as did William Randolph Hearst when he realized that manufacturing facts about the Spanish-American war increased circulation. Hearst, like Trump, also felt that "other people existed mainly to gratify his own desires" (Proctor 1998, p. 14). Indeed, the expression *yellow journalism* comes from the Hearst era with the yellow referring to the character *yellow kid* in the comic *Hogan's Alley*, a favorite reading of Hearst. However, there is a dramatic qualitative difference between the Hearst era and today because it is often very difficult to work out whether a human or nonhuman is responsible for news. President Donald Trump's Tweets are an interesting exception, like Hearst, because the assumption is, even in satire like *Saturday Night Live*, that Trump is the genuine author of his own Tweets for most of the time and in real time. But how influence works on the Internet is no simple matter. Reddit built its company by starting with fake followers and President Trump learnt the lesson. Figure 1 is a screenshot of Trump's Twitter audit accessed on November 5, 2018, by the author showing 5,450,240 fake followers.

What Donald Trump has recognized is that there is no newshole that limits his creation of news. The newshole is the amount of space available to a news organization to devote to a publication after advertising revenue for an edition has been calculated. In print newspapers, only a certain amount of physical space can be allocated to news before it becomes uneconomical in print production and circulation. Online news, of course, has changed the business models around newsholes.

But Donald Trump's fake followers raise the problem of what counts as an "agent" or an "actor" in contemporary online news cycles. An agent in digital media can extend beyond human sentient beings. This is precisely why people get upset when they are misrepresented online, trying to work out whether actions are intentional or not. For instance, when Bettina Wulff, wife of former German president Christian Wulff, found that a Google search of her name came up "prostitute," she sued Google, successfully. Bettina had a digital persona she did not want,

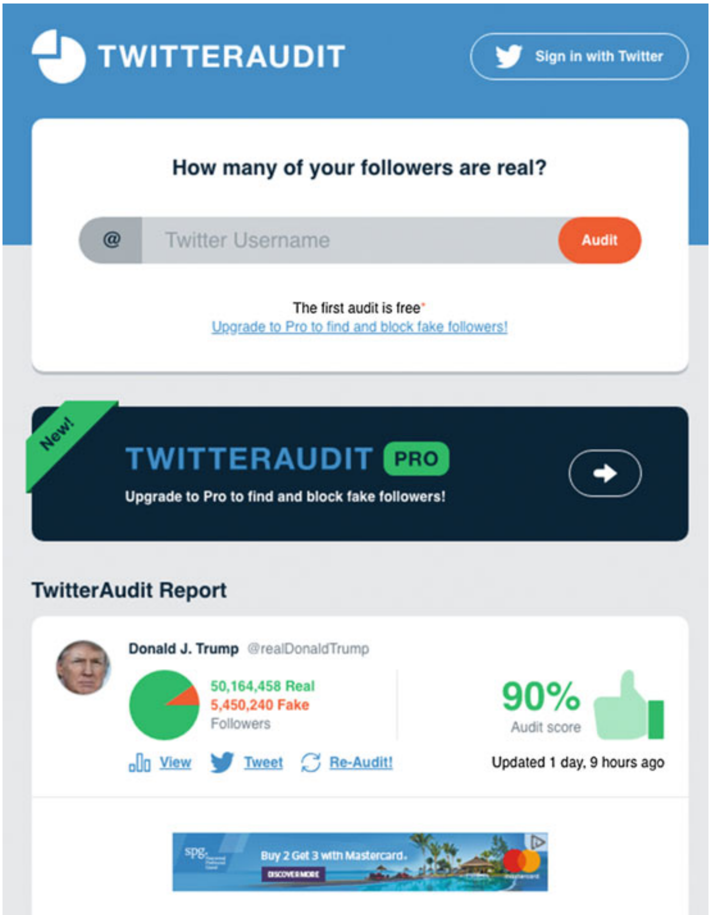


Fig. 1 Twitter audit of Donald Trump's followers, real and fake

projected into the minds of human agents but passively constructed by nonhuman agents, the Autocomplete feature in Google. In 2012 a Japanese man took Google to Court over its Autocomplete (Instant) that returned up to 10,000 results implicating him in crimes. Tokyo Courts ruled that Google suspend its Autocomplete and Google replied, "no," that it would not obey Japanese law (Boxall 2012).

Debates about agency in philosophy, psychology, and sociology are complex. Barry Hindess (1988) in his critique of rational choice theory advanced a minimal concept of the agent as a site of decision and action, where the action is in some sense a consequence of the agent's – actor's decision. "Actors do things as a result of their decisions. We call those things actions, and the actor's decisions play a part in their explanation. Actors may also do things that do not result from their decisions, and their explanation has a different form" (Hindess 1988, p. 44–45). Hindess argued that a capacity to make decisions is an integral part of anything that might be called an agent. For Hindess, therefore, state agencies, political parties, football clubs, churches are all examples of actors in his minimal sense. “They all have means of reaching decisions and of acting on at least some of them” (Hindess 1988, p. 46). The actions of Google’s Autocomplete feature, an organizational agent, is, of course, always dependent upon the actions of others such as managers, elected officers, employees, and other organizations.

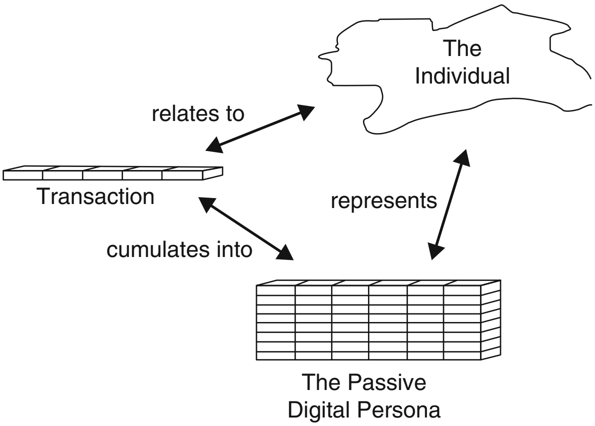
Digital personae raise key issues in control and the extent to which an agent can intentionally interfere with the creation and maintenance of a digital persona. Businesses, governments, and individuals attempt to manipulate digital personae to make them attractive, by mimicking human behavior or providing visual and other cues that enhance the possibility of trust, precisely the concern in the United States about Russian interference in its elections. Never before has the role of nonhuman agents in this way been possible or their impact so far reaching.

In the case of normal everyday affairs, of course, there is a range of databases and many organizations involved in collecting information on individuals and creating profiles of them. There have been a number of terms to try to describe these profiles, such as Dividual, epers, shadow order, data double, capta shadow, databased self, and Cyber-I (Clarke 2013). However, *digital persona* best captures what happened to Bettina Wulff because it focuses clearly on the very idea of the person, of how we present our self and our identity to others. Roger Clarke coined the term digital persona in 1992 and continues to explore it (Clarke 2014). His original motivation was that “we need the construct as an element in our understanding of the emerging network-enhanced world” (Clarke 2014, p. 82). Internet robots, agents, who can act and interact with other agents, human and nonhuman, now account for over 60 percent of Internet activity (Madrigal 2013) and understanding the behavior of human and nonhuman agents is now essential in a democratic society that values autonomy.

Clarke (2001) further distinguished between active and passive digital personae. An active persona, in a digital context, is an agent that acts on behalf of the individual and runs in the individual’s workstation or elsewhere in the Internet. A simple implementation of this idea is in the vacation feature in email servers, which returns a message such as “I am away on holidays until <date>.” Where the sender is a mailing list, this may result in broadcast of the message to hundreds or thousands of list-members. A passive digital persona does not involve projection of the persona into the online world. Figure 2, adapted from Roger Clarke (2001), shows the operation of a passive digital persona. A Visa card transaction is an obvious example of part of the creation of a passive digital persona within the Visa system.

Projected active digital personae include mail filterers, news, and knowbots (intelligent searches of networks). Active digital persona can be projected by the individual or imposed by others. The difference between active and passive is in the degree to which control can be exercised over what is happening to the persona. If the individual is projecting their persona, they may wish to create filters around themselves and restrict the bombardment of information through the networked world. Clarke (2013) distinguishes between passive digital persona as superficial digital representations of a person or people and formal digital personae as structured

Fig. 2 Passive digital personae



data representations that occur as the result of physical online transactions of data. If someone has illegal access to someone's computerized health data, for example, then they could construct a persona based on that structured data. Informal digital personae are, by contrast, based on people's perceptions. Clarke (2013) also distinguishes between projected personae, a persona that a person wants to project and imposed personae, an image created by someone else. In the 15 or so years since Clarke introduced the construct, there has been a range of developments in information technology, not least the increasing use of sophistication in social media networks and associated algorithmic nonhuman agents that can have their own personalities, represent or gather information about real personalities, or impose personalities online. While how at a theoretical level, "all the layers of digital personae are simultaneously woven in a complex situation remains obscure," there can be little doubt that the hypergiant, superaggregators, are well aware of the impact of digital personae (de Kerckhove and de Almeida 2013, p. 277).

The Hypergiants (Super Aggregators), Doxing and Swarms

> We're building toward a web where the default is social. Every application and product will be redesigned from the ground up to use a person's real identity and friends. Mark Zuckerberg, CEO Facebook (Hongladarom 2011).
> There is something innately threatening about a persona, constructed from data and used as a proxy for the real person. It is reminiscent of the popular image of the voodoo doll (Gibson 1984, p. 97).

We now know that Facebook failed to compel British political consulting firm *Cambridge Analytica t*o delete all traces of data from its servers after acquiring details of 87 million Facebook users. These data enabled the company to retain predictive models drawn from social media profiles during the Clinton-Trump US presidential election (Lewis et al. 2018). A person's ability to control their own persona is, of course, compromised when their data is sold to others without their knowledge. But third party sales are not the only problem facing the modern digital persona. Personal dataveillance, low data quality decisions, lack of subject knowledge of, and consent to, data flows, blacklisting, denial of redemption, arbitrariness, acontextual data merger, and complexity and incomprehensibility of data, among many others affect the degree of agency of any one of us. It is not within the compass of this chapter to cover all the possible variations in technical control, but the major Internet aggregators are well aware of the impact of various technical matters on business and others. In its 2012 regulatory filing, for example, Facebook identified over 83 million "fake" accounts, – impersonations, fake people, real pets, fake pets, "undesirable accounts" (undefined by Facebook), and others. Facebook understands these sites as agents, potentially damaging to other agents and their own users. A person's Facebook identity is not simply a page but a network where people either feel more or less in control of what they do on that network. Over 11 million teenagers left Facebook to other sites, such as Instagram, WeChat, and other platforms, not only because of "cool" but precisely because of issues of control and importantly the "right to forget" (Kampmark 2015; Rosen 2012).

While Facebook seeks to control fake personalities, including fake and real pets, this does not extend to every nonhuman. Grumpy Cat (Fig. 3), Boo the Dog, and the popular Hatsune Miku (Vocaloid) are good examples. In 2013 Grumpy Cat won Webby's Meme of the Year. Grumpy Cat, who has his own "reps," is a highly successful nonhuman, nonanimal, active digital persona, which at the time of writing had 8.6 million followers on its Facebook page. Grumpy Cat's owner made 24 million pounds from Grumpy Cat's first two years as a digital persona (Goldhill 2014). Adweek in 2013 provided a summary of Grumpy Cat's competition on the Internet. Tabatha Bundesen and her brother first posted pictures of the cat on Reddit after which the Internet community started to create memes. Grumpy Cat the business has

Fig. 3 Grumpy Cat (the official picture). (Source: Grumpy Cat used under Fair Use)

monetized into fan sites, T-shirts, books, and wall calendars, among many other merchandise.

Facebook calls Grumpy Cat and other digital personae making money on the Internet, like Boo the Dog, "public figures" in order to get around the problem of calling them "fake sites" in reporting to the US government (Sneed 2013). It is not surprising that nonhuman digital personae get status as public figures. Vocaloid 3-D projections came into public physical spaces in 2010 and have become as popular as Facebook-based animal celebrities. Vocaloid is a singing voice synthesizer created by a joint university and Yamaha project. Hatsuni Miku has become one of its nonhuman stars. She is a singing digital avatar created by Crypton Future Media. People can buy her and then program her to perform any song on a computer. But in 2010 she also went on tour as a 3-D hologram http://www.mikufan.com/). Miku would appear to breach the author's definition of digital personae as "running in" computers. Miku, however, is still tied to computers and networks, even when she is a projection. What is important is that she is a nonhuman active digital personae not as a "one off" but, like Grumpycat, as a personality in a relationship with fans.

Readers might stop, at this point, and ask what Grumpy Cat has to do with management in crisis or with the title of this chapter. All of the examples so far touch on i*dentity* and *trusted sources*. The "good old days" of yellow journalism, its early days, have returned but with a twist. Public opinion and market information can be manipulated by nonhuman agents. Grumpy Cat is a fairly transparent digital persona, supervised by a human agent. President Trump is an active digital persona, a "doxing" President, with 5 million or more fake followers, exaggerating his impact on public opinion.

Communities can also combine to create digital personae. #Gamergate is a good example where a gaming community used its skill to dox others, that is, create a crowd persona that dramatically affects individuals. In August 2014, Eron Gjoni, a programmer, wrote posts about Zoe Quinn, a game developer for controversial *Depression Quest*, accusing her of sleeping with a video game journalist Nathan Grayson (https://thezoepost.wordpress.com/). Gioni had been in a relationship with Quinn (Dockterman 2014). Anita Sarkeesian, a high profile critic of sexism in games, with others, became the target of abuse, with one person even creating a computer game in which players were invited to abuse her (Dockterman 2014).

There were approximately 1.8 million users of the #gamergate between September 25, and October 25,, 2014, according to the analytics group Topsy.com. It is not surprising that terms such as "sealioning" and "swarm" have emerged precisely to describe the #gamergate phenomenon. Digital personae were not just individuals, but groups formed as crowd digital personae. "Gamers" with doxing skills of a high order demonstrated how quickly personal information that most people could not access can be deployed. Sarkeesian's own digital persona, @femfreq, Feminist Frequency, was able to rapidly mobilize opposition to those in the gamer community who were using gamergate as a misogyny vehicle.

Andy Balow (2014) worked with the chief data scientist at Betaworks in the USA and took all the social graphs of everyone in the dataset of 316,669 tweets associated with #gamergate in order to visualize the different personae using open-source package Gephi. Figure 4 shows all the hundreds of small communities that fall

Fig. 4 #gamergate Swarm. (Source: Betaworks)

into two major poles antigamergate on the right-hand side and pro-gamergate on the left-hand side, with little to not intersection between them.

Trolls and others, of course, and unlike the #gamergate controversy, do not necessarily disclose who they are or, alternatively, create fake versions of other people. Chuck Norris, the US celebrity, fell victim to sites pretending to be him and leading to the famous Chucknorris facts site, providing humorous comments about Norris. Norris decided not to sue, appreciating that he had an expanded set of fans who were not using their sites maliciously. “I know there are a lot of fake Chuck Norris pages on places like Facebook & Myspace. To cut down on confusion, this is the only page I personally have on Facebook & I don’t have a page on Myspace. If you ever want to find out if a page is really mine, you can visit my website link [. . .]. Sincerely your friend, Chuck Norris (Norris 2011).

The terrorist group Islamic State, or ISIS, was adept at being malicious and, as a comprehensive Bookings Institute study demonstrated, technically proficient at creating Twitter swarms and mass producing Twitter account to influence perceptions of ISIS size. Figure 5 is a representation of different accounts, but also the degree of reciprocity obvious among them.

The sophistication of online collection of data about individuals is now well known. Acxiom perhaps is the largest of these aggregators. It works on a global scale and on-sells data about individuals to whoever can pay for those data. Many people have not heard about Acxiom. Most people though would have flash cookies on their computers that collect data for aggregators like Acxiom (flash cookies are normally undetectable, except now for Firefox browsers). Acxiom has in its database approximately 1500 facts about half a billion people worldwide. It works behind the scenes for Google and many other major Internet companies (Mason 2009). Acxiom holds passive digital personae.

We are now in a position to provide some clarity on the differences between active and passive digital personae and supervised and nonsupervised contexts in which they operate. Table 1 distinguishes between contexts where humans are

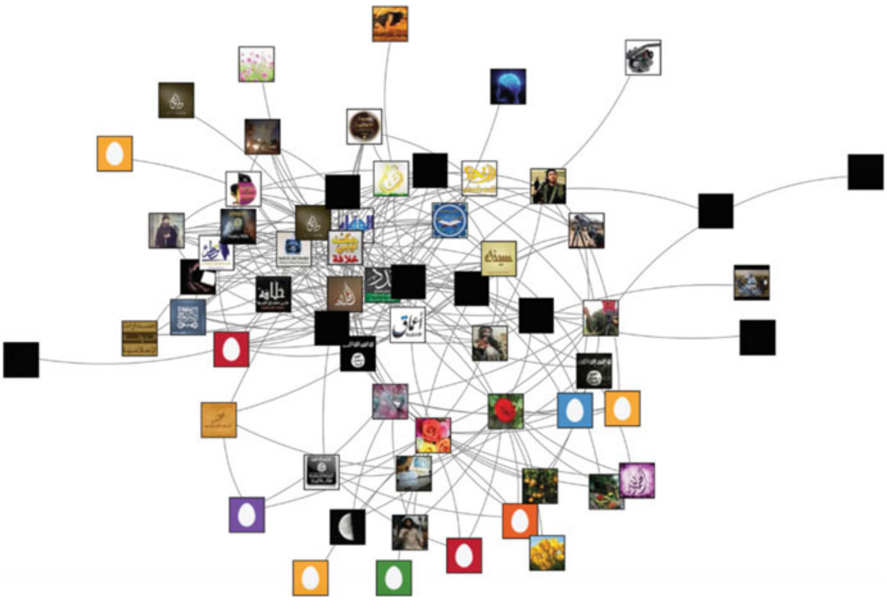


Fig. 5 ISIS Twitter. (Source: Berger and Morgan (2015) *The ISIS Twitter Census: Defining and describing the population of ISIS supports on Twitter*)

Table 1 Human and nonhuman digital personae and human agency

	Human	Nonhuman
Supervised	Digital persona activity actively created by a human agent (e.g., President Donald Trump Tweets; ISIS Twitter swarms; #gamgergate)	A digital persona of a nonhuman agent created by a human agent (e.g., Grumpy Cat, Boo the Dog, Hatsune Miku)
Unsupervised	A false digital persona of a human agent created by a human agent (e.g., Chuck Norris fake sites)	A passive digital persona of a real human agent created by a nonhuman agent (e.g., Visa Card, Google Autocomplete)

directly involved in the activities of a persona and those where they are not. Donald Trump's Tweets have a human agent behind them as far as we know. They are "supervised" in a general sense. Chuck Norris fake sites, while generated by humans, are not supervised by him (although they now have his imprimatur). Grumpy Cat, however, is fully nonhuman, although supervised. Data collected by the hypergiants and other major aggregation sources are not supervised by the human agents from which the data are collected.

"Control," like constructs such as "power," involves a range of other constructs in any conceptualization or measurement (Lukes 1974). Table 1 therefore is not intended as a final clarification of the complexity surrounding contemporary digital personae. However, there can be little doubt that crowd or individual digital personae can and do influence activity on the Internet and human perceptions based on that activity. There is also a level of technical complexity in generating persona that is beyond many people's competencies and for many it is difficult to know when hypergiants are manipulating our personae.

Individuals wanting to control their own sites have its correlate in super aggregators, like Google and Comcast, wanting to control its spaces. Super aggregators can and do decide to bias one form of traffic over another. This is no minor issue and has led, of course, to Net Neutrality debates. The aggregators in all their forms have become more concentrated and more influential as well as more complicated. Google, for instance, purchased the currency platform, Jambool, to help developers manage and monetize their virtual economies across the globe (Takahashi 2010). Google, like Comcast, has vested interests in where traffic goes and a banking platform would no doubt affect the nature of traffic flows. Google could, for example, limit an aspiring creative artist's digital persona by exercising what is called "ramp control" (Leaver et al. 2012, p. 2), slowing down the service in order to stop the artist uploading broadband materials that exemplify their work or even potentially affecting banking service. The individual might never know that it was the super aggregator limiting their activities, of course, left probably to think that they need a new service provider in order to increase bandwidth.

Social Presence, Social Proof, and the Social Distribution of Knowledge

Which brings us back to President Trump's Tweets. He is not seen as a fake persona by his followers and his Tweets are perceived to be directly from him. In the language of theory, Trump has achieved social presence, trust, and social proof. These three dimensions have become important constructs in explaining the behavior of human agents in the study of digital personae. Social presence is conceived as the extent to which "the medium permits users to experience others as being psychologically present" (Fulk et al. 1987, p. 531). Since the construction of a digital persona is necessarily mediated through digital media, social presence plays a key role for actively created digital personae of human agents. Previous research found that displaying human photos (Cyr et al. 2009) or avatars (Teubner et al. 2014) on a Web site can increase a person's perceived social presence. Similarly, many agents use human photos and avatars in the process of actively creating their digital persona. Importantly, an increase in social presence positively influences a person's level of trust towards a platform (Gefen and Straub 2003). Trust is a key construct in technology-mediated transactions. In electronic commerce, it is conceived as "an expectation that others one chooses to trust will not behave opportunistically by taking advantage of the situation" (Gefen et al. 2003, p. 54). In the context of digital persona, trust has to be understood as a broader concept, because it does not only involve possible future decisions, but more subtle dimensions of trust, such as engagement and public opinion (Balnaves et al. 2014). This also becomes evident in the terminology "follower" used in the prominent social networks primarily used for creating digital personae.

Another reason why social presence and trust play a critical role for digital persona is that the purpose for actively (and often also for passively) creating a digital persona is – directly and indirectly – related to marketing activities in the broadest possible sense. A key construct in this context is social proof, that is, "the fact that people tend to believe that decisions and actions taken by the majority reflect the correct behaviour in a given situation" (Vastola et al. 2014).

> The tendency to see an action as more appropriate when others are doing it normally works quite well. As a rule, we will make fewer mistakes by acting in accord with social evidence than contrary to it. Usually, when a lot of people are doing something, it is the right thing to do. This feature of the principle of *social proof* is simultaneously its major strength and its major weakness. Like the other weapons of influence, it provides a convenient shortcut for determining how to behave but, at the same time, makes one who uses the shortcut vulnerable to the attacks of profiteers who lie in wait along its path. (Cialdini 1983, 1994).

While social interactions have evolutionarily been dominated by human-human, and for most of human history even face-to-face interactions, advances in digital media have turned the domain of social interaction into a "mixed zone" in which sentient human beings and computerized agents interact (Riedl et al. 2014; Teubner et al. 2014). Agents in the digital society form beliefs about the agency of digital personae they encounter, and these beliefs in turn affect their intentions.

It can be reasonably argued, therefore, that Donald Trump has established social presence and social proof with his digital persona. Trump's followers also by extension see his news as part of what Alfred Schutz (1946) would call their common intrinsic interests. Alfred Schutz's (1946) work on zones of relevance and interest within social phenomenology fits well here. A person's place in the social distribution of knowledge for Schutz is defined by the type of knowledge that they possess and the social role that they have at any particular point in time. There are, for him, four regions, or zones, of decreasing relevance of knowledge. There is knowledge and activity of primary relevance within our reach that can be immediately observed by us and also at least partially dominated by us. The zone of minor relevance is where individuals may be acquainted with knowledge that may contain reference to our chief interests. Zones of knowledge which are relatively irrelevant or absolutely irrelevant are areas of knowledge which people take for granted, but where the "that" and the "how" of things are not essential. For example, no car driver is supposed to be familiar with the laws of mechanics, no radio listener with those of electronics, although there are circumstances where such knowledge might be of primary relevance, such as experts or enthusiasts (Balnaves and Willson 2012, p. 69).

There is a point in society where my competencies allow me to operate either badly or well, especially in a modern society that puts a premium on knowledge. My set of competencies in building and managing my digital persona, therefore, is directly related to the amount of control and the degree of agency that I have over my persona. The more others control my digital persona online, the less capacity I have to change any imposed persona and the more an imposed persona is acting on someone else's behalf. A person might, perhaps, voluntarily surrender their persona to another, and the populism of those like President Trump would fall into that category.

Conclusion

This chapter has not been written as an anti-Donald Trump piece. However, William Randolph Hearst and Donald Trump share similarities not only in their personalities but also in their capacity to generate, purposely, false news. Hearst would never have expected yellow journalism to become standard news, despite his voracious appetite for fake news. Nor would Hearst have expected a President of the United States to occupy the newshole so thoroughly. Hearst no doubt, though, would have done exactly what Donald Trump has done; amplify through Twitter.

In this chapter, the author has attempted to show how digital personae, active and passive, have become a permanent part of how knowledge is distributed and acted upon in contemporary society, affecting individual and business decisions alike, public opinion and markets. Jacques Derrida used the expression "democracy to come" to describe his ideal of democracy. Democracy, for Derrida, welcomes strangers, accepts diversity, and enhances participation (Lucy and Mickler 2006). While this chapter is not strictly about the theory or social constitution of democracy, the role of digital personae in democracy – online citizens-consumers-organizations – is obvious – as is their role in electronic markets. The capacity to swarm has obvious implications for public opinion, the formation of social movements and markets.

When Michel Foucault (1977) wrote about discursive practices as groups of statements that provide a language for talking about a particular topic at a particular historical moment, he did not have in mind nonhuman Internet robots and algorithmic languages (although mathematics, for him, is a discursive practice). Each discursive practice implies a play of prescriptions that designate exclusions and choices. Humans have developed an ability to make inferences about their counterparts' mental states (cf. mentalizing or theory of mind, Frith and Frith 2006). This ability enables humans (i) to assess and predict the intentions, beliefs, and behaviors of others in communicative, collaborative, and competitive social interactions and thus (ii) to increase chances of survival and overall human success.

The idea of "mixed zone" fits well into Alfred Schutz's ideas about our different positions in the social distribution of knowledge. The Internet has provided a system where one's digital persona might be imposed by others, what Schutz would call "imposed interests" compared with "common intrinsic interests." A person is, even without the Internet, dependent on the competencies of others, like doctors and accountants. However, the rise of digital personae changes the processes by which trust, social presence, and social proof operate. Islamic State was able to mobilize 47,000 Twitter accounts to project its digital persona – its knowledge of social media networks operates at technical and strategic levels.

The author has kept to the minimal concept of what counts as a social actor – proposed by Hindess (1988) – as a site of decision and action, where the action is in some sense a consequence of the agent's decision. This conception keeps intentionality in the theoretical picture. Other explanations of the effects of complexity in contemporary society have taken other and different forms. Actor-network theory (ANT) or (AT) is a contemporary example of the attempt to analyze the role of human and nonhuman agents and their impact on society. Donald MacKenzie (2006) is a famous example of the application of the ANT concept of performativity in financial markets. He looked at the relationship between financial models and the actual practices of financial traders and firms, how particular financial technologies are created, and how they affect market structures. For MacKenzie (2006), neo-classical economics is not real until it is *enacted into being* (performativity). Actor network theory (ANT), enrolment theory, or the sociology of translation, created by Bruno Latour, Michel Callon, and John Law, looks at the agency of nonhumans, from animals to machines and links the concepts of actor and network to by-pass the classic distinction between agency and structure. Latour (2006), as a result, discounts traditional models of self, and by extension, intentionality, – "there is no model of (human) actor in AT nor any basic list of competences that have to be set at the beginning because the human, the self and the social actor of traditional social theory is not on its agenda." (2006).

In the literature on persona, there is a wide range of definitions of persona, reflecting differences in the idea of agency. Persona Studies, for example, takes a dramaturgical approach, where "persona, in terms of origins, in and of itself implies performance and display. Jung, for instance, calls persona a mask where one is 'acting a role' . . . I have used persona to describe how online culture pushes most people to construct a public identity that resembles what celebrities have had to construct for their livelihood for at least the last century." (Marshall 2014). ANT on the other hand emphasizes digital persona as a "hybrid or quasi-object" "it is a combination of both human creation and technological mediation ... Online persona, in the terminology of ANT, is a constructed, performative presentation of identity. It is constituted through a combination of human action, ongoing mediation of present human action, and the automation, through technological delegation, of previous actions" (Henderson 2014). Sherry Turkle (1997), on the other hand, argued that on-line life selves demonstrate a "de-centering" of the very idea of "self." "What I am saying is that the many manifestations of multiplicity in our culture, including the adoption of multiple on-line personae, are contributing to a general reconsideration of traditional unitary notions of identity."

However, as argued in this chapter, active and passive digital personae, as originally conceived by Roger Clarke (2001), makes a better fit for the highly technical nature of contemporary digital media and how actions follow from actual activities, whether swarms, doxing, or profiling.

Cross-References

► Conclusion: Management Theory in Crisis
► Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era

► Labor and Employment Practices: The Rise and Fall of the New Managerialism
► Management History in the Modern World: An Overview
► The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
► Trade Union Decline and Transformation: Where to for Employment Relations?
► What Is Management?
► Why Did the Great Recession Fail to Produce a *New* New Deal in the USA?

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Why did the Great Recession Fail to Produce a *New* New Deal in the USA?

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Jon D. Wisman

A society which reverences the attainment of riches as the supreme felicity will naturally be disposed to regard the poor as damned in the next world, if only to justify itself for making their life a hell in this.
(R. H. Tawney 1926, 222).

The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that... the ideas of those who lack the means of mental production are subject to it.
(Karl Marx 1845, 172).

The United States, despite its formally democratic character, is firmly in the hands of a moneyed oligarchy, probably the most powerful ruling class in history.
(Robert McChesney 2014a, 58).

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Abstract

In a manner remarkably similar to the decade of the 1920s, inequality soared for over three decades prior to the crisis of 2008, provoking in both instances financial crises and severe macroeconomic dysfunction. The 1930s depression witnessed a strong egalitarian political reaction to the laissez-faire ideology that had justified the inequality-generating institutional changes of the 1920s, resulting in a New Deal that launched four decades of institutional change that considerably improved general welfare and lessened inequality. The Grand Recession and its wake, by contrast, has not put that same ideology seriously into question, malaise becoming expressed predominantly in a form of rightwing populism, behind which inequality continues to explode. Why such radically divergent reactions to severe hardship? This chapter explores three foremost reasons for why ideology legitimating inequality survived practically unscathed during the later crisis: First, the crisis beginning in 2008 proved to be less severe, in part due to wiser public policy responses. Second, the welfare net that developed in the wake of the earlier crisis softened the degree of hardship accompanying the later crisis. And third, the elite's command over ideology had become more sophisticated and thus capable of surviving the later crisis essentially intact.

Keywords

Inequality · Ideology · Great Depression · Laissez-faire · Barack Obama

JEL Classification Codes

B · E02 · H1 · N1

In 2008, at the onset of the worst macroeconomic crisis to afflict the United States since the Great Depression, Democrat Barack Obama, promising major change, won the Presidency with a decisive victory over Republican John McCain, commanding 53% to 46% of the popular vote and 365 to 173 in the Electoral College. After his inauguration, he received sky-high public approval ratings. Democrats also commanded majorities in both houses of Congress giving the new President a challenge and opportunity that politicians rarely encounter – a crisis so severe that he could claim legitimacy to rewrite the social contract so as to reverse the soaring inequality that had evolved in the previous 35 years and return the nation to furthering the progressive measures that were instituted during the 40 years following the Great Depression's New Deal. Along with a Democrat-controlled Congress, he faced an opportunity to launch a New New Deal and it was widely expected that he would do so. In the wake of his election, he appeared on the cover of *Time* as FDR with the heading "The New New Deal." Such an opportunity was captured by Milton Friedman's quip that "Only a crisis—actual or perceived—produces real change" (1982, ix). But Obama and Congressional Democrats failed to seize the occasion.

Inequality continues to soar and progressive programs that had been instituted between the mid-1930s and mid-1970s continue to be weakened.

A considerable amount of ink has been spent on explaining why Democrats failed to seize, or were effectively blocked from seizing, their once-in-a-political-career opportunity (e.g., Skocpol et al. 2012; McChesney 2014b). But what has been inadequately recognized is the degree to which all of politics is fundamentally a fight for shares of income, wealth, and privilege, and the overwhelming role that ideology has always played in this struggle. Ideology has always been second only to violence in creating and maintaining inequality.

The Great Depression of the 1930s witnessed a strong egalitarian political reaction to the laissez-faire ideology that had justified the inequality-generating institutional changes of the 1920s, resulting in a New Deal, that launched four decades of progressive institutional change, considerably improving general welfare and substantially lessening inequality. The Grand Recession and its wake, by contrast, has not put that ideology seriously into question, malaise becoming expressed predominantly in a form of rightwing populism that has provided cover behind which inequality continues to explode. Why such radically divergent reactions to severe hardship? This chapter explores three dominant reasons for why the laissez-faire ideology legitimating inequality survived practically unscathed during the later crisis: First, the crisis beginning in 2008 proved to be less severe, in part due to a prompt and wiser public policy response. Second, the welfare net that developed in the wake of the earlier crisis softened the degree of hardship accompanying the later crisis. And third, the elite's command over ideology had become more entrenched and sophisticated and thus capable of surviving the later crisis practically intact.

A Historical Glance at Laissez-Faire Ideology

Whereas religion served the predominant role of legitimizing inequality in premodern societies, economics evolved to increasingly do so with the rise of capitalism, and among economic doctrines, laissez-faire has played a dominant role. Laissez-faire ideology has its origins in the struggle of a rising bourgeois class to curb the absolutist state's restrictions on their pursuit of profits. It received its theoretical grounding in the work of Adam Smith and the subsequent Classical School of economics. It has since served to legitimate strictly limiting government's interference in markets, while justifying its enforcement of private property rights.

Although laissez-faire ideology remained dominant throughout the nineteenth century, as industrialization and urbanization accompanying economic growth increased inequality, it also greatly augmented the potential, as Marx anticipated, that the working class could organize and threaten violence against the elites' state for redress. The evolution of an urban industrial working class brought with it organized, at times violent, resistance to long workdays, low wages, child labor, and unhealthy working conditions. To reduce and hopefully eliminate the threat of violence, elites began bribing the working class with various benefits and with the franchise. These strategies for calming working class revolutionary fervor resulted in higher living standards for workers.

The progressively greater democratization at the ballot box decreased the ease with which elites could use the state to violently curb the aspirations of workers, especially in putting down strikes. Retention of their control over the state would depend increasingly on their control over ideology. Always before, excepting severe crises, they had been successful in convincing the producers below that what was more narrowly in the interests of elites was equally in the interests of the workers. But now, because elites could no longer so readily back up their ideology with violence, they had lost their violence-backed monopoly control over the state.

By the end of the nineteenth century and during the first two decades of the twentieth century, workers used the state to politically advance their collective interests on an unprecedented scale. The state was transformed from the executive committee of the ruling class to that social agency that could limit or, in the extreme, eliminate the capturing by elites of disproportionate shares of income, wealth, and privilege. Without revolution, the working class had in principle gained power to rewrite the social script. That they did not fully do so is testament to the power elites retained over ideology.

Elites' command over ideology got a decided boost when a number of forces, most notably the seemingly unpatriotic strikes during World War I and the Bolshevik Revolution, turned public sentiment against worker organizations, enabling a robust form of laissez-faire ideology to recapture the political sphere and generate exploding inequality (Wisman and Pacitti 2004). But laissez-faire ideology's return to dominance was short-lived, becoming significantly delegitimated by the severity of the Great Depression.

However, in the 1970s, a convergence of events, most notably stagflation, dollar devaluation, heightened strike activity, and presumed moral degeneracy, enabled elites to depict government as "the problem." Laissez-faire ideology began returning to the dominance it had commanded in the 1920s. It retains that dominance to this day.

Inequality and the Dynamics of Ideology

Elite control can be maintained by either physical or ideological force, as has been recognized by social thinkers since Machiavelli. Physical force has often been necessary for initially establishing and solidifying a hierarchical social structure. However, brute force is relatively inefficient in that it generates strong resentment and the constant threat of insurrection. It is also costly in terms of policing resources. A far more efficient and effective long-term strategy – one that decreases the costs of resentment and physical repression – is for elites to generate an ideological system that convinces not only themselves but all beneath them of the moral and functional appropriateness of the existing social order. Those below are led to believe that their lesser status in terms of income, wealth, and privilege is as it must be.

During the greater part of history since the rise of the state and civilization, an aristocracy controlled access to land and the dominant ideology legitimated their privileged position. With the rise of capitalism, the owners of capital came to control access to the means of production and an ideology rose to dominance that legitimates the institutions and practices of capitalism. It is this control of ideology, backed when necessary by state violence, that has enabled the continual exploitation of producers since the rise of civilization 5500 years ago. It is also control of ideology that permits exploitation to continue, even when the exploited have gained the franchise and thus possess in principal the political means to bring it to an end. Beyond violence, ideology has always been elites' most powerful political weapon.

Ideology is deception, although not usually conscious deception. It is a form of mystification that serves specific interests. It promotes a mistaken view of aspects of reality, most importantly, social aspects and social relations. In doing so, it has always been a powerful instrument for creating and maintaining inequality (Wisman and Smith 2011).

Ideology is an aspect of legitimation. Legitimation refers to a set of beliefs concerning the nature of reality. It concerns how people mentally experience and understand their world. As such, it is neither positive nor negative. Humans evolved such that they must give meaning to their world (Berger and Luckmann 1967). Ideology, by contrast, refers to the way in which reality is misrepresented to serve special interests. It presents a false view of social relations that enables the exploitation of some by others.

At times, warfare and economic, demographic, ecological, or other natural catastrophes brought on crises severe enough to threaten the elite's ideology and thus their fitness to rule. However, their superior command over ideology always permitted them to eventually reclaim legitimacy and control over labor and thus its exploitation – the expropriation of the surplus workers produced.

Ideological control is generally expressed through the manipulation of social discourse. As Jim Sidanius and Shana Levin put it,

> . . .almost all perspectives on legitimizing ideologies suggest that their power is derived from their consensuality. . .. legitimizing ideologies are believed to be effective in regulating group-based inequality because they are often endorsed by dominants and subordinates alike. All other things being equal, the greater the degree to which both dominants and subordinates agree on the veracity of hierarchy-enhancing legitimizing myths, the less physical violence will be necessary to keep the system of stratification intact (2001, 316).

For subjugation of labor and its exploitation to be efficiently sustainable, workers must be led to believe that their inferior status in terms of income, wealth, and privilege is as it must be. And strikingly, Elizabeth Haines and John Jost find that "people may be more willing to accept relatively illegitimate accounts than is commonly assumed. . .[and the authors] found that people misremembered the explanations that were given to them as more legitimate than they actually were" (2000, 232).

With the exception of periods of extreme crises, elite control has always been adequately legitimated such that most folks found it acceptable, even when it meant their lives were filled with hardship and misery. This was especially true if all other sufferers remained quiescent. As Tolstoy famously noted, there are "no conditions of life to which a man cannot get accustomed, especially if he sees them accepted by everyone around him" (2017).

Exploding Inequality and the Generation of Severe Crises: Parallels Between the 1920s and the Three Decades Prior to 2008

Since the beginning of the twentieth century, there have been two major explosions in inequality: the first between World War I and the late 1920s and the second since the mid-1970s. Both were facilitated by robust revivals of laissez-faire ideology. Both also set the stage for severe macroeconomic dysfunction, accompanied by economic privation that most afflicted the less-well-off.

The periods leading up to both crises appeared to be highly prosperous. Between 1922 and 1929, GNP grew at an annual rate of 4.7% and unemployment averaged 3.7% (White 1990, 69). Between 1993 and 2007, GNP growth averaged 3.25% (US Department of Commerce n.d.) and unemployment averaged 5.2% ("Current Population Survey (CPS)" n.d.). However, in both periods productivity gains outpaced wages, such that the share of total income received by the richest 5% of the population, for instance, increased from 24.3% in 1919 to 33.5% in 1929. The disposable income of the top 1% of taxpayers rose 63% (Livingston 2009, 38). The real prosperity of the 1920s was reserved for those residing in the top of the income scale (Bernstein 1966; Stricker 1983). Contributing to this heightened inequality were tax "reforms" that reduced corporate taxes and lowered the maximum personal income tax rate from 65% to 32% (Sobel 1968, 52–53).

Similarly, real disposable income declined for wage earners in the three decades leading up to 2008. Average weekly earnings (in 1982 dollars) declined from \$331.39 in 1973 to \$275.93 in 2005, greatly lagging behind productivity gains (Miringoff and Opdycke 2014, 226). What is especially striking about the two periods is the dramatically larger shares of income and wealth accruing to the ultra-wealthy, especially the top one-hundredth of 1%. Their income shares soared from about 1.7% to 5% in the first period and from about 0.9% to 6% in the second (Saez 2010).

Greater inequality during both of these periods generated three dynamics that heightened risks of financial crises. The first is that holding ever greater income and wealth, an elite flooded financial markets with credit, helping keep interest rates low and encouraging the creation of new credit instruments with higher risk profiles. Stock and real estate markets soared. The second dynamic is that greater inequality meant that individuals were forced to struggle harder to find ways to consume more to maintain their relative social status, with the consequence that they saved less, increased their indebtedness, and worked longer hours. The third dynamic is that, as the rich took larger shares of income and wealth, they gained more command over ideology and hence politics. Reducing the size of government, deregulating the economy, and failing to regulate newly evolving financial instruments flowing out of this ideology. Together, these three dynamics set the stage for the financial crises of 1929 and 2008 (Wisman 2013a, 2014). The Great Depression and Great Recession were the consequences.

Radically Opposite Reactions

The Great Depression's widespread suffering generated worker militancy and called into question the elite's laissez-faire ideology and its political and economic policies.[1] It also challenged the prevailing economic theory that legitimated these policies, making space for the Keynesian revolution. Moreover, as Milton and Rose Friedman wrote, the Depression "discredited [and] shattered the public's confidence in private enterprise" (1988, 458; 462). This delegitimation of the elite's ideology, their most controlling political tool, led to political changes during the subsequent four decades that reduced inequality in income, wealth, and opportunity. These political changes were guided and made possible by economic doctrines that depicted greater equality as positive and active government intervention as essential for a prosperous and fair economy. Only government could guarantee a more equitable society – a "New Deal."

The most significant government measures reducing inequality and improving conditions for the broad population included workers' rights to collectively bargain, minimum wages, Social Security, the G.I. Bill, Medicare, Medicaid, Food Stamps, public housing and rent subsidies, Project Headstart, Job Corps, Occupational Safety and Health Administration, the Consumer Product Safety Commission, the Mine Enforcement and Safety Administration, and the Environmental Protection Agency. Public goods that benefit the general population such as schools, community colleges and state universities, parks, playgrounds, and public transit were vastly expanded in quantity and quality. And the percent of Americans living in poverty declined dramatically from about 30% in 1950 to 10% in 1973 (Appleby 2011, 321). Highly progressive income taxation also reveals the intent of redistribution toward greater equality. The highest marginal income tax rates were: 1942–43: 88%, 1944–45: 94%, and 1946–50: 91%. Top marginal tax rates remained in the upper 80% from 1951 until 1964, and 70% from 1965 until 1981.[2]

[1]Melvyn Dubofsky notes that "The Great Depression and the New Deal had wrought a veritable political revolution among American workers. Masses of hitherto politically apathetic workers, especially among first-generation immigrants and their spouses, went to the polls in greater numbers" (1986, 212).

[2]The impact of tax rates on inequality is clear. OECD countries in which taxes have been cut most on high incomes have witnessed the greatest increases in income accruing to the very wealthy (Deaton 2013, 212). Piketty also notes that ". . .the resurgence of inequality after 1980 is due largely to the political shifts of the past several decades, especially in regard to taxation and finance" (Piketty 2014, 20).

Whereas the top 1% of households in 1929 received 22.5% of all pre-tax income (including capital gains), they received only 9% by the late 1970s (Piketty and Saez 2006). What Arthur Burns termed a "revolutionary leveling" (Williamson 1991, 11), and Claudia Goldin and Robert Margo, the "Great Compression" (1992) between the 1930s and mid-1970s, seemed to confirm Simon Kuznets' conjecture that inequality would decrease in the later stages of economic development (1955). Thanks to the relative delegitimation of the elites' laissez-faire ideology and thus political power, relative wealth distribution returned to levels that had disappeared in the decades after the Civil War.

However, by the mid-1970s, ideology began turning against the active government intervention that had benefited the broad population for four decades. Due to the elites' wealth, superior education, and influence over the political sphere, this ideological reversal was destined to happen eventually (Wisman 2013b), but in the 1970s specific events hurried it along.

Stagflation delegitimated Keynesian economics,[3] setting the stage for a strong rejection of government intervention in the economy. Liberal policies were alleged to be at the root of what pundits claimed was the decline of the American century. Evidence included loss of gold backing of the dollar and its devaluation; loss of the Vietnam War; and with the widespread use of recreational drugs and sexual promiscuity, alleged rising moral degeneracy; and leftist extremism.[4] Welfare, union power, and labor legislation were claimed to have sapped work incentives. High taxes, especially on the rich, allegedly reduced entrepreneurial energies and the incentives to save and invest, resulting in stagnation and anemic tax revenues (the infamous "Laffer Curve").

Legislation flowing out of the rising discontent with activist government reversed the trend toward greater equality. This shift of income, wealth, and privilege toward the rich set in motion a self-reinforcing process since it meant that they commanded yet more resources with which to influence public opinion and policy. And research reveals that their expenditures on creating and disseminating ideology yield high returns (Glaeser and Raven 2006). The consequence is that inequality has reached levels of the 1920s. The elite, thanks to their recapture of ideology that guided political policy to change the economic rules of the game, recaptured more than they had lost during the four decades of the "great compression" (Wisman and Pacitti 2015).

But why did the onset of the Great Recession in 2008 not follow, at least in part, the script written during the Great Depression? Whereas the Great Depression witnessed a strong egalitarian political reaction to the laissez-faire ideology that had justified the inequality-generating institutional changes of the 1920s, the Grand

[3]As Chicago School economist John Cochrane has put it, "When inflation came in the nineteen-seventies, that was a major failure of Keynesian economics" (Cassidy 2010, 31). As early as 1980, Robert Lucas wrote that "At research seminars, people don't take Keynesian theorizing seriously anymore; the audience starts to whisper and giggle to one another" (Lucas 1980, 19).

[4]Home-grown domestic terrorism also characterized this period. In 1972, there were 1900 domestic bombings. Notable terrorist groups included the Weathermen, the Black Liberation Army, and the Symbionese Liberation Army (Burrough 2015).

Recession did not put seriously into question that same ideology that had legitimated the previous 40 years of exploding inequality. Instead, the widespread malaise has been largely channeled into an expression of populism that enables the rules of the game to continue to be reformulated to direct yet more income, wealth, and privilege to an elite. Indeed, since 2008, inequality has continued to explode.

Why such radically divergent reactions to systemic dysfunction and severe hardship? Why did the ideology legitimating inequality survive practically unscathed during the later crisis? Three reasons stand out: First, the crisis beginning in 2008 proved to be less severe, in part due to wiser public policy responses. Second, the welfare net that developed in the wake of the earlier crisis softened the degree of hardship accompanying the later crisis. And third, the elite's command over ideology had become more entrenched and sophisticated and thus capable of surviving the later crisis practically intact.

Two calamitous public policy mistakes followed the stock market crash of 1929: The Federal Reserve System permitted the money supply to contract, creating a liquidity crisis, bank failure, deflation, and massive bankruptcies. Second, blaming unfair foreign competition for the crisis, Congress passed the Smoot-Hawley Tariff Act of 1930, the most protectionist in US history. Both helped magnify a financial crisis into a full-blown depression. The immediate response to the severe crisis that began in 2008 was radically wiser. The Federal Reserve massively injected liquidity into the banking system and bailed out banks, precluding a collapse of the financial system, deflation, and the massive bankruptcies that had characterized the early 1930s.[5] A rush to protectionism was also precluded. At the G20 meeting in London in 2009, world leaders committed to avoid the mistakes of the early 1930s by coordinating fiscal and monetary expansion and eschewing protectionism. Only when the threat of depression seemed averted did increasing voices insist on fiscal austerity.

The Great Depression was far harsher for the general population than would be the case during the Great Recession. Whereas unemployment reached 25% in the former, it attained only 10% in the latter.[6] Moreover, no public safety net existed during the Great Depression, whereas a considerable public support system limited suffering during the Great Recession.

Although laissez-faire ideology legitimated public policies that enabled explosions in inequality prior to both crises, its uninterrupted reign was only slightly more than a decade prior to 1929, whereas its dominance spanned three decades prior to 2008. Thus, in this later period, it had time to become far more deeply entrenched in politics and social attitudes, supported by social institutions such as education, media, think tanks, and popular entertainment. Further, whereas in the

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[5]Relative success appears not to have been due to the lesser severity of the 2008 financial crisis. Ben Bernanke avowed at the Financial Crisis Inquiry Commission hearing: "As a scholar of the Great Depression, I honestly believe that September and October of 2008 was the worst financial crisis in global history, including the Great Depression" (*Financial Crisis Inquiry Commission* 2011, 354).

[6]Although official unemployment reached 25% in 1933, more recent estimates claim it was closer to 50% (Gans 2014, 56).

1930s, socialism was broadly entertained as a more just alternative to dysfunctional capitalism, the 1991 collapse of the Soviet Union all but eliminated it from political discourse.

In his first inaugural Presidential address in 1981, Ronald Reagan declared that "Government is not the solution to our problem; government is the problem." And in fact, until workers acquired the franchise, although government provided for defense and a degree of social stability, it enabled elites to extract as much surplus as possible from the working population, so for the latter it was indeed a problem. Workers, whether slaves, serfs, indentured servants, or wage workers generally retained merely the wherewithal to survive. Yet, while government served to enable the exploitation of the producers, its goodness was rarely in doubt. Ideology, crafted and controlled by elites, depicted the state as sacred, its rulers chosen by gods, or gods themselves. Government was part of the sacred order of things. Even when the state came to be legitimated in secular terms (as a *social contract*), elites continued to use the state to insure that they could capture most of the workers' output beyond the latter's survival needs.

However, since the late eighteenth century, laissez-faire ideology has served to cultivate a distrust of government, and the elite's need for this distrust became especially necessary after workers gained the franchise. The vote gave workers the power to peacefully claim a fairer share of society's income, wealth, and privilege. The role of the state was in principle reversed from a social agency that enabled elites to capture virtually all income beyond subsistence, to one that could impede them from doing so. If the state were to become truly democratically controlled, then for elites, government would indeed become "the problem." Thus, a winning ideological strategy for elites would be to convince the electorate that government is not to be trusted. And since the late 1970s, this strategy has worked. Whereas in the 1970s, 70% of Americans had "trust and confidence" that the government could successfully deal with domestic problems, only 22% held the same view in 2011 (Ford 2012).[7] The consequence has been massive tax cuts (incidentally mostly benefitting the rich) to "starve the beast," shredded welfare for the poor (depicted as lazy free-loaders), and deregulation. And as government programs that benefit the larger population have been cut, their quality has worsened, thereby giving credence to the view that government is incompetent. To check the power of those who do not buy into this ideology, more measures have been taken to restrict the right to vote.

[7]The ideology of "government as the problem" has been so successful that a huge percent of Americans do not even recognize very substantial benefits they receive from government. For instance, Paul Krugman points out that 40% to 44% of those who receive Social Security, unemployment benefits, and Medicare claim that they "have never used a government program" (2012).

During the three decades prior to the crisis of 2008, the majority of Americans witnessed a decline in the quality of their lives. Their wages stagnated and their jobs became less secure as freer international trade forced them to compete with low-wage foreign workers and new technology rendered their skills obsolete.[8] For many, neighborhoods decayed, as did public services such as schools for their children (Putnam 2016). And then the crisis of 2008 made everything so much worse. The victims' response had been ideologically conditioned to blame a government controlled by intellectual elites and Wall Street.

Both Political Parties in Harness to Wall Street

Obama's initial measures prompted progressives quickly to conclude that he had betrayed his campaign promises. He brought in Wall Street foxes (e.g., Timothy Geithner and Lawrence Summers) who had raided and devastated the hen house to fix it. Rather than nationalize mega banks, he bailed them out, saving their wealthy owners from massive losses, while letting poor homeowners go bankrupt on loans they were fraudulently sold.[9] The failing auto industry was bailed out at a final taxpayer loss of $10 billion.[10] Absent a massive jobs program, unemployed workers were left idle and discouraged, many dropping out of the job market to which some have yet to return.[11] Consequently, corporate balance sheets recovered quickly, while mainstreet small businesses and American households floundered. It is true that although Democrats held majorities in both houses during his first two years, Obama faced the threat of filibusters in the Senate. But rather than attempting to end-run Congress by appealing directly to voters with a strategy such as FDR's

[8]Production workers earned $9.26 an hour in inflation-adjusted dollars in 1972. Forty-four years later, in 2016, they earned $9.20 (Cassidy 2017).

[9]No mortgage executives were held accountable and mortgage companies were permitted to foreclose on homeowners instead of being forced to modify loans or reduce balances. About nine million households lost their homes. At the end of Obama's presidency, 63.7% of households owned their own homes, the lowest since 1965 (the peak was 69.2 in 2004) (Jackson 2017). Black households were especially impacted. By 2014, almost half of their wealth had vanished (Heideman 2017), a crushing blow given that net median white household wealth is 13 times higher than for blacks (*The Economist* 2016).

[10]The wealthy were generally spared the pain of the crisis. By the end of Obama's second year, the S&P 500 stock index had risen almost 60%, recovering most of its losses after its 2007 peak. By the end of his second term, it had gained 166%.

[11]The labor-force participation fell from 65.7% to 62.8% (half of the decline due to demographics) during the Obama years, the lowest in four decades, while the median jobless rate was 7.7%, higher than during any post-World War Two administration (Jackson 2017).

fireside chats, he futilely tried to appease Republican opposition.[12] The fact that Obama ended up embracing the same politics that had generated inequality over the preceding 35 years was the straw that broke the camel's back. Many of his supporters wound up supporting Trump.[13]

The Democrats' disappointing response to their unique opportunity to put American society back onto a progressive track is symptomatic of the extent to which a wealthy elite has captured government. Whether Democrats or Republicans have controlled the White House or Congress has made relatively little difference in who is winning in America. Since Jimmy Carter, income, wealth, and privilege have continued to shift toward an elite no matter which party has been in power.[14] The only difference is that Republican policies have been more clearly crafted to benefit the elite. Government under both parties had let down a majority of Americans and many were ready for anything but more of the same. Donald Trump's appeal was that he appeared and professed to not be a part of that establishment that had betrayed everyday Americans.[15] And although the Republican Party is seen as part of the establishment, due to its support of cultural stances that are anathema to the Democratic Party, it was stronger at the end of the Obama administration than at any time since 1928 (Time 2017). Incidentally, inequality as measured by the Gini

[12]Obama did not engage in reaching out to Americans through television (as had Ronald Reagan) to draw support for his policies and thereby skirt-around and bring pressure upon Congressional members. It should be noted that a conservative coalition opposing Roosevelt's projects formed in 1934. However, Roosevelt became increasingly supportive of workers as the Depression dragged on. In his presidential campaign of 1936, he advocated a wealth tax. He also advocated marginal income tax rates as high as 79%, stiffer inheritance taxes, and greater taxes on corporate profits. He attempted, unsuccessfully, to make guaranteed employment a part of the Social Security Act. He was also not reticent in his attacks on the rich, referring to them in his presidential address of 1936 as "economic royalists," an "autocracy" that sought "power for themselves, enslavement for the public" (Kennedy 2001, 227–82).

[13]During the 2016 election campaign, Donald Trump received the greatest support in those counties with the highest levels of economic distress, as well as where the mortality rates were highest from alcohol, drug abuse and suicide (Burns 2018).

[14]The election of Jimmy Carter in 1976 shifted the Democratic Party rightward, where it has since stayed, despite Bernie Sanders' attempt to take it back to the politics of FDR, Harry Truman, JFK and Lyndon Johnson, during whose administrations, wealth inequality decreased. It was especially Bill Clinton who dragged the party further to the right with his campaign pledge to end welfare "as we know it." During the administrations of Carter, Clinton, and Obama, wealth inequality increased (Studebaker 2016).

[15]Ganesh Sitaraman writes that "The defining feature of the 2016 election was the strength of anti-establishment candidates who channeled popular discontent with elites and with the current functioning of American politics. In the primaries, Senator Bernie Sanders received more than 12 million votes, Donald Trump received more than 13 million votes, and Senator Ted Cruz won more than seven-and-a-half-million votes. Together, explicitly anti-establishment candidates took more than 30 million primary votes, out of around fifty-six million cast" (Sitaraman 2017, 271).The Public Religion Research Institute conducted a poll in June 2016 and found that 49 percent of voters agreed with the statement "Because things have gotten so far off track in this country, we need a leader who is willing to break some rules if that's what it takes to set things right" (cited in Galston 2018, 74).

coefficient rose more during the Obama years than during any other administration over the past forty years (Regalia 2015). Obama failed to push hard for his campaign promise to permit the expiration of George W. Bush's tax breaks for the richest Americans, even though he enjoyed Democratic majorities in both Houses in 2009 and 2010. Emmanuel Saez reports that 52% of income gains since the financial crisis and up to 2016 had accrued to the wealthiest 1% of households, while average household's income remains at about the same as in 1999 (Ehrenfreund 2017).

The fact that both parties have become beholden and in service to monied interests is a direct outcome of surging inequality which has provided elites with ever-greater resources with which to purchase candidates and control government policies. Since election campaigns are funded by private money and organized labor has been busted, candidates in need of massive amounts of money to run for office are trapped. They must appeal to wealthy interests to get and stay elected.[16] There have been exceptions such as Bernie Sanders, and a more recent number of candidates for the Presidential election of 2020, but they prove the rule.

How Do the Elite, So Few in Number, Win Elections?

Although both parties have been substantially captured by monied interests, the Republican Party is generally the party to which the elite gravitate. But how could they ever rally sufficient support to get their candidates elected, given that the elite not only constitute but a very small fraction of the voting public, but also officially embrace political programs that blatantly are to their own benefit? For instance, the Republican Party has long advocated slashing funds for programs that benefit lower income households, such as food stamps, unemployment benefits, funding for public education, and publicly provided health care. And proving their allegiance to the rich elite, they have ever advocated cutting taxes for the wealthy. So how do they get their candidates elected?

It should first be noted that the GOP has a long history of demonizing the least privileged as lazy and handicapped by dependency on welfare, or as a Tea Party bumper sticker puts it, "Keep Working. Millions on Welfare are Counting on You."[17]

[16]Democrats as well as Republicans are dependent on the rich and the corporations they own. In the 2014 elections, for example, about 32,000 individuals — 0.01 percent of the population — accounted for 30 percent of all political contributions (Olsen-Phillips et al. 2015). With few exceptions, contributions from individual firms are given equally to Republicans and Democrats. Corporations hedge their bets, investing in politicians of all stripes to ensure that, no matter who is elected, they will have access. Politicians almost always respond to the will of their contributors, not constituents (Bonica et al. 2013)

[17]In an infamous 2012 campaign speech, Mitt Romney claimed that 47% of the country constitutes a "taker class," paying little or nothing in taxes, but expecting taxes on the productive classes for free health care, food, housing, etc. Many workers buy into this view. Catherine Rampell reports that "Across rural America, the Rust Best, Coal Country and other hotbeds of Trumpism, voters have repeatedly expressed frustration that the lazy and less deserving are getting a bigger chunk of government cheese" (2016).

The least privileged are told to buck up and go fend for themselves as earlier Americans always did. American society is presented as providing exceptional opportunity for vertical mobility. Anyone by dint of persistence and hard work can make it to the very top, making Americans far more ambivalent than Western Europeans about fairness.[18]

Neoclassical economics' claim that all economic actors get their just desserts reinforces the view that by working diligently, anyone can make it in America. This idea of fluid vertical mobility has deep roots in US culture. For much of its history, thanks to abundant land and emigrants fleeing Europe's rigid class structure, there was greater social mobility in America than anywhere else on Earth, making Americans more prone to internalize responsibility for their successes or failures. The rich have earned it and the poor are responsible for their poverty.

Europeans, by contrast, are less ready to find the poor at fault. For instance, a World Values Survey found that 71% of Americans versus 40% of Europeans believe that the poor could work their way out of poverty. "…54 percent of Europeans believe that the poor are unlucky, whereas only 30 percent of Americans share that belief." And "Sixty percent of American respondents, but only 26 percent of Europeans say that the poor are lazy" (Alesina et al. 2001, 237, 242, 243).[19]

Americans also greatly underestimate the magnitude of inequality. Whereas people on average believe that the richest 20% own almost 60% of all wealth, they in fact own about 85%. More striking, whereas they believe that the bottom 40% own 8% to 10% of wealth, they in fact hold only 0.3% (Norton and Ariely 2011).

The GOP also exploits the fact that for many people, cultural issues trump economic ones.[20] This is in part because economic issues are complex and hotly contested. Elites find support from some professional economists that tax cuts for the rich and corporations, cuts in welfare, and deregulation will generate economic dynamism, increase employment, and raise wages. So even when the economic consequences of this platform are unclear, voters find reason to support a political party that also happens to endorse their hot cultural stances on issues such as abortion, gay rights, race, immigration, gun control, and creationism. Moreover, these cultural issues are laden with an emotional energy that economic issues lack.[21]

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[18]Some conservatives have attempted to propagate a view that fairness is "hostile to capitalism, destructive of national security, and dangerous to liberty" (Woodward 2012, B6).

[19]Other evidence also suggests the greater extent to which Americans hold individuals responsible for their own fates. For instance, Alesina, Glaeser, and Sacerdote have found "an extremely strong relationship in the United States between supporting capital punishment and opposing welfare" (2001b, 242).

[20]Matt O'Brien writes that today's Republican Party is composed of three different wings. The first is Wall Street that puts up the money to get their leaders elected. The second wing is middle-class professionals who are attracted to tax cuts. The third wing is the white working class who are sold the argument that their woes are due to immigrants, free trade, welfare cheats, and many of whom are attached to cultural issues such as right to life, etc. (O'Brien 2017).

[21]Behavioral economists are finding that people systematically make decisions that are against their own interests, driven more by emotions than economic reason. In *What's the Matter with Kansas?* (2005), Thomas Frank provides wide-ranging evidence for this view.

The manner in which racism has played this role was extensively addressed by W. E. B. Du Bois (1935), and it has been alleged to have played an important role in the election of Donald Trump (Zeitz 2017).

Final Reflections

The sustained 40-year period of declining inequality between the 1930s and 1970s appears to have been a modern historical anomaly, if not a singularity. The reason is to be found in the elite's greater potential for crafting ideology that is widely persuasive and thus can be expected to reverse any setbacks. Not only do their greater material assets enable them to essentially purchase elections, they have the best educations, the most gifted friends and acquaintances, all of which make them on average more astute and successful in identifying and attaining their interests than less-privileged citizens. They are not evil or behaving in bad faith, but sincerely believe that the doctrines and policies they support, and which make them ever richer, are in fact the best for everyone.

What hope, then, remains for greater equality? By crafting their self-interested ideology to be ever more convincing to the larger population, elites have managed over the past 45 years to appropriate ever larger shares of national income, wealth, and privilege. This ideology has become deeply entrenched in the American psyche. It is plausible that the legitimacy of such ideology can only be effectively challenged by an extremely severe crisis – one that greatly reduces living standards and security – an event as extreme as the Great Depression. But what if elites who control the state by purchasing politicians and controlling ideology have learnt how to limit the damage of severe crises? This appears to have been the case with the crisis of 2008. Relatively limited suffering enabled the entrenched ideology to survive intact, deflecting blame from the wealthy elite to Wall Street and establishment politicians (not clearly realizing that they are agents of the elite!), immigrants, free trade, and welfare dependents.

The future could be one in which gradually, under an ideological umbrella, more and more measures will be launched that further increase the elites' capacity to capture ever more income, wealth, and privilege, continuing the explosive rise in inequality of the past 45 years. Indeed, as this is being written, under the Trump administration and a Republican Congress, precisely this is happening, at yet greater speed.

Or might elites come to realize that great inequality is not in fact in their best interest? Jared Diamond suggests that this is unlikely. He notes that in past civilizations elites pursued their own immediate self-interest even when they had before them the evidence of severe environmental decline, their civilization's decay, and thus the long-run ruin of the foundations upon which their own privileges and livelihoods depended (Diamond 2011). Diamond's investigations suggest that elites do not manage to recognize and act upon their enlightened long-run self-interests, even when their policies are leading to their own ruin. Similarly, according to Bos van Bavel (2016), capitalist classes brought forth robust economic growth in Iraq in the fifth to seventh century, Italy in the tenth to twelfth century, and the Low Countries in the eleventh to thirteenth century. However, the increasing political power of their ever-wealthier capitalist classes led to institutional changes that permitted them to massively rent seek as opposed to investing in productive capital, bringing that robust economic dynamism to an end and propelling their societies into first stagnation and then long-run decline. Moreover, in his magisterial study of inequality levelling, Walter Scheidel finds "little solid evidence for leveling by peaceful means" (2017, 377).

Could the US become a failed state? Daron Acemoglu and James Robinson remind us that "Countries become failed states. . . because of the legacy of extractive institutions, which concentrate power and wealth in the hands of those controlling the state, opening the way for unrest, strife, and civil war" (2012, 376).

Cross-References

▶ A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
▶ Conclusion: Management Theory in Crisis
▶ Economic Foundations: Adam Smith and the Classical School of Economics
▶ Intellectual Enlightenment: The Epistemological Foundations of Business Endeavor
▶ Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era
▶ Keynesianism: Origins, Principles, and Keynes's Debate with Hayek
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▶ The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
▶ Trade Union Decline and Transformation: Where to for Employment Relations?
▶ What Is Management?

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Trade Union Decline and Transformation: Where to for Employment Relations? 44

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Contents

Abstract

One of the central social institutions of the late nineteenth and early twentieth centuries, trade union, is a diminished force in most Western societies. In the United States, only 6.5% of private sector workers were in a union in 2018. In Australia, where 64.9% of the workforce belonged in 1948, only 14.5% of the nation's employees held a union card. Across the last three decades, a variety of factors have been identified as supposedly causal: higher productivity in non-union workplaces, lacklustre organizing, and neoliberal governments. In most of the literature, union decline has been associated with a growth in precarious employment and independent contracting. In exploring both union decline and employment transformation, this chapter pays particular attention to circumstances in the United States, Australia, and Canada. In doing so, it argues that most current academic understandings are based on myth and error. In the last 40 years, it is high-paid professional and managerial work that has grown in leaps and bounds, not low-paid service work. In all Western societies, self-employment and independent contracting are inconsequential. Despite expressed concern for the poor, unions in America, Australia, and Canada are today dominated by high-

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paid workers employed in health, education, and the public sector; a cohort that makes up around 60% of the union membership in all three countries.

Keywords

Unions · Gig economy · Uber · Precarious employment · Outsourcing · Neo-liberal · Self-employment

Introduction

The primary purpose of this chapter is one of charting the fate of trade unions and employment relations more generally over the last few decades. Once seminal institutions in Western society, trade unions have in most countries become a numerically insignificant force, at least in the private sector. In my home country, Australia, where an extraordinary 64.9% of the workforce belonged to a union in 1948, only 14.5% of workers held a union ticket in 2016 (Bowden et al. 2009: Appendix 19; ABS 2019a). Even in Canada, a nation where unions operate within a comparatively benign legal environment, only 14.3% of private sector workers were unionized in 2018 (Statistics Canada 2019). In the United States in 2018, private sector union density stood at a woeful 6.5% (United States Bureau of Labor Statistics 2019a). What explains such outcomes? Are unions themselves the cause of the problem, having become bureaucratized and insensitive to worker needs? Or is it, as many suggest, the product of "neo-liberal" policies and employer hostility? Are unions victim of a general, retrograde shift in employment towards increased outsourcing and casualization? Or is it simply that unions, a product of an industrialized past, are now a bygone institution? If the latter is the case, then why is union density still high among public sector workers? In exploring these questions, we are, as historians, not seeking answers simply due to idle curiosity. Rather, we look to the past, to various patterns of past change and to the validity (or otherwise) of past explanations, to better understand the present. Yet in looking to the past our starting point *must* be a reasonably accurate view of the present. For if our analysis of present circumstances is profoundly in error, then it is likely we will pursue erroneous or misleading lines of historical inquiry to explain things that are, in truth, not significant.

In this author's opinion, a good example of how best to proceed is found in John Godard's chapter in this section of the *Palgrave Handbook of Management History*, entitled "Labor and Employment Practices: The Rise and Fall of the New Managerialism" (Chap. 41). In this, Godard brings to his analysis a cautious, considered judgment that is, unfortunately, increasingly rare in the field of labor relations. Unlike many others whom we will cite below, Godard frames his discussions of precarious and nonstandard employment by noting that these remain minority experiences that show little evidence of increasing. As Godard (▶ Chap. 41, "Labor and Employment Practices: The Rise and Fall of the New Managerialism") expresses it,

> . . .increases to part-time and temporary employment have been relatively limited and highly variable across nations . . . in the USA, only 4 percent of labor market participants were in temporary positions as of the mid-2010s, and although part-time work accounted for 13 percent of the labor force, this was little changed from the 1970s . . . UK data also suggest a long term decline in both voluntary and involuntary separations, since at least the mid-1990s.

In contradiction to the cautious assessment of Godard, where the levels of precarious employment are carefully quantified, a reverse tendency seems to be now the norm in both management history and labor relations, where academics often appear intent on depicting changes in employment in ever more dire and catastrophic terms. In a chapter in the recent *Routledge Companion to Management and Organizational History*, Mir and Mir (2015: 256), for example, speak of how the labor market in modern societies is characterized by "the growth of inequality," "insecurities caused by layoffs," and, "trade policies . . . that forced labour to take pay cuts." Similarly, in her *Globalization and Labour in the Twenty-First Century,* Burgmann (2016: 5) advises us that "From the 1970s onwards states rolled out abundant new rules . . . [of] a neoliberal kind" as part of a "conscious strategy on the part of capital to increase exploitation of labour." Elsewhere, we read how the very relevance of social democratic and labor parties has been undercut by a "crisis of equality," a calamity in which the "economic inequality" of capitalism "has been exacerbated by . . .the impact of neoliberalist ideology . . . the substantial expansion of equality issues . . . including issues of gender, racial, ethnic and sexual equality" (Johnson 2019: 1). Lindy Edwards (2019: 1–2) – an academic who has served as economic advisor to Australia's Department of Prime Minister and Cabinet – similarly informs us that "Anyone looking at the reality of worker exploitation . . . knows it is not a separate issue to gender equality and radical equality . . . We see it in the Labour hire companies and the growth of the gig economy." There also appears widespread acceptance of the opinion that the transformation of employees into "independent contractors" devoid of normal work rights, and an associated "Uberization" of work, is the new norm. Thus, according to Healy et al. (2017: 236), the growth of "the gig economy" reveals the "potential for accelerating 'fragmentation': breaking down once-whole jobs into discrete task elements, each of which is then auctioned off to the lowest bidder."

Often, advocates of a "catastrophic" view of modern employment appear to mistake the visibility of a problem for its prevalence. The Uber automobile driver and food deliverer are today, for example, a ubiquitous feature of urban life in any large Western city. When I leave my apartment in inner-city Brisbane – Australia's third largest town – it often appears that an Uber driver operates every second car. However, I often ask myself: have I really seen 10 Uber drivers or 1 Uber driver 10 times? For, despite all the attention that it has attracted, the "gig economy" and the Uber phenomenon are distinctively minority trends. A recent United Kingdom survey, conducted by the Chartered Institute of Personnel and Development in December 2016 and cited by Peetz (2019: 170), found that only 4% of adults had worked in the "gig" economy "at some time in the previous 12 months." Moreover, of those who did work in the "gig economy," a clear majority (58%) had permanent jobs elsewhere, only performing "gig" work to supplement their main income. Nor was it the case that "gig" workers universally experienced a feeling of social oppression. Instead, 49% reported that they were "living comfortably" or "doing alright" (cited Peetz 2019: 172–173). As for food delivery workers, a class of worker engaged in more precarious and dangerous work, an Australian survey confirmed the suspicions I garnered from observing such individuals. Of the 58 food delivery riders interviewed, an overwhelming majority (47 of the 58) "were in Australia on a temporary work, student or working holiday visa" (Goods et al. 2019: 510). In summing up what they believed to be the occupational norm, one rider advised Goods et al. (2019: 517), "Yeah it's only for backpackers." To thus extrapolate general conclusions as to the state of the labor market from the experiences of a comparative handful of workers – many of whom appear to be performing these jobs as a temporary supplement while studying or travelling – is intellectually indefensible. Similarly, no one would deny that discrimination based on gender, race, or sexual orientation still occurs. Nevertheless, one would never know from the writings of Johnson (2019), Edwards (2019), and the like that discrimination because of gender, race, or sexual orientation is illegal in virtually every advanced economy. Nor is one reminded that minority groups benefit from positive discrimination due to affirmative action policies, or that female workforce participation is – in virtually every society – at or close to historic highs.

Central to the "catastrophic" labor relations scholarship is the view that Western societies have witnessed the large-scale displacement of employees – enjoying the benefits of union membership, regulated employment, annual leave, sick pay, etc. – by independent contractors, a trend supposedly driven by a dominant "neo-liberal ideology" (see, for example, Perry 1997; Hall 2000; Peetz 2006; Gall et al. 2011). Historically, however, discussions as to the extent of the contracting phenomenon have suffered from a lack of reliable data. There is also the difficulty of distinguishing not only independent contractors from employees but also in differentiating them from independent businesses, that is, the self-employed plumber who does work at their own volition (see Vandenheuvel and Wooden 1995, for a discussion on these points).

A recent labor force survey conducted by the Australian Bureau of Statistics (ABS) in August 2019, and released in December 2019, provides what is probably a reasonably accurate insight into the extent of "standard" employment, independent contracting, and self-employment. In order to avoid presentation of this ABS data in a too compressed a form, the results of the ABS (2019b: Table 10.1) survey are presented in two figures. Figure 1 examines the prevalence of independent contracting and self-employment in blue-collar and low-wage service industries (agriculture, mining, manufacturing, utilities, wholesale, retail, hospitality, and transport). Figure 2 examines circumstances in white-collar and professional industries (information technology, finance, real estate, professional and scientific work, private-sector administration, public-sector administration and defense, education, health, art and recreation, and "other" services). As is self-evident, in blue-collar and low-wage service industries, independent contracting is only a significant factor in

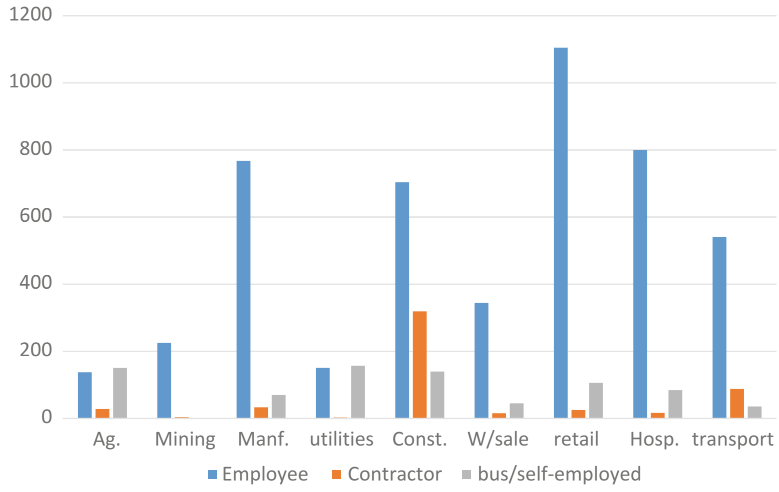

Fig. 1 Australian workforce, Aug. 2019 – Employees, contractors, self-employed: blue-collar and low-wage service industries (in thousands). (Source: Australian Bureau of Statistics, Characteristics of Employment, August 2019, Table 10.1)

construction, where the subcontracting of work is an age-old practice. Self-employment, by comparison, is significant in agriculture (the family farm), utilities (the self-employed plumber, electrician, etc.), construction, and – to a much lesser degree – retail (the family shop), hospitality (the family restaurant), and transport (the self-employed truck driver and, more recently, Uber driver). There is nothing in these figures to suggest some fundamental and malevolent alternation in employment circumstances. One suspects a similar survey undertaken 100 years ago would have detected even higher levels of self-employment.

In Fig. 2, the only industry where independent contracting and self-employment rival standard employee forms of engagement is in real estate, an industry that employs few people. Once more, one suspects a survey undertaken 100 years ago would have detected similar patterns. Outside of real estate, the most significant cohorts of independent contractors and self-employed are found among professional and scientific workers. Most of these people, one suspects, would be consultants, not a category of employment that one normally associates with misery and exploitation. In health care, one also suspects that most of the 88,400 independent contractors and 85,900 self-employed workers would be people like my daughter: consulting medical specialists. From my observations, this group also does not appear sunk in misery and degradation.

Australian circumstances – which point to the continuing importance of the employee-employer relationship and the comparative unimportance of independent contracting – do not appear atypical among advanced economies. In his recent *The Realities and Futures of Work*, Peetz (2019: 163–164) points to an Organisation for Economic Co-operation and Development (OECD) survey that indicates that "self-employment" is "not growing." Indeed, in 26 of the

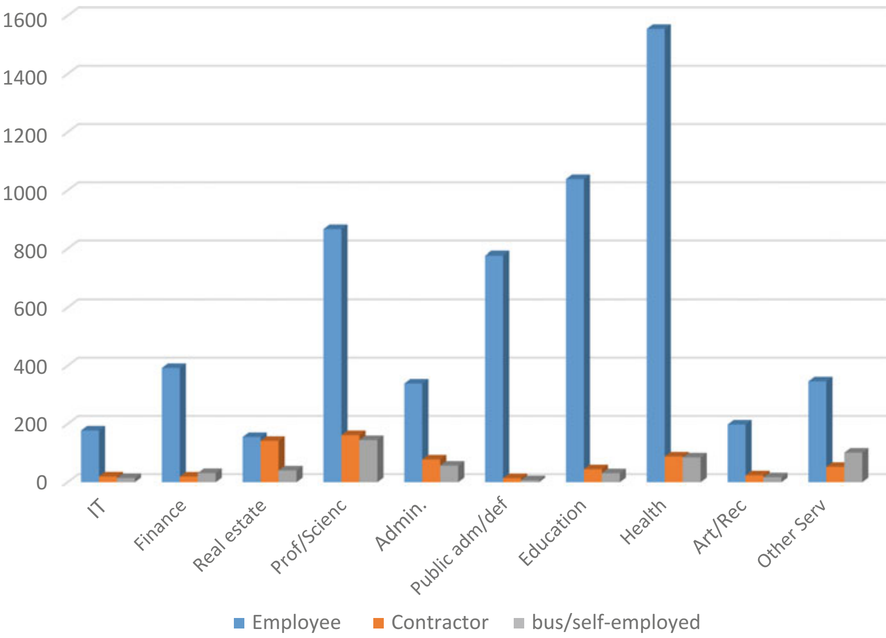

Fig. 2 Australian workforce, Aug. 2019 – Employees, contractors, self-employed: white-collar and professionals (in thousands). (Source: Australian Bureau of Statistics, Characteristics of Employment, August 2019, Table 10.1)

37 countries surveyed by the OECD, the level of "self-employment" fell between 2000 and 2014, often by significant percentages. Across the OECD as a whole, only 15.8% of employed labor force participants were self-employed in 2014. Now, in presenting these figures, Peetz conflates two very different things, namely, the genuinely self-employed business operator who works at their own volition (i.e., the independent farmer) and the independent contractor who works at someone else's behest (i.e., the contract harvester on a farm). Nevertheless, what is clear from the figures that Peetz cites is that self-employment *and* independent contracting are inconsequential in most Western societies. In France and Germany, self-employment in 2014 amounted to 9.7% and 11%, respectively. Self-employment in the American republic is of a similar dimension, i.e., approximately 10% (Desilver 2019). It should be noted in passing that Peetz's concession that self-employment and contracting is *not* a major factor in Western economies represents a significant (and commendable) reassessment on his behalf. Previously, Peetz (2002, 2006; Peetz and Bailey 2011, 2012) had long argued that the use of contractors and subcontractors *was* a major factor in both union decline and a generally more precarious work environment.

If we need to discount the idea that union decline can be explained by a general shift towards outsourcing and precarious forms of self-employment, we also need to dispense with the idea that 30 years of "neo-liberal" policies have seen a steady advance of insecure forms of low-paid employment at the expense of better-paid jobs. In fact, the reverse is true. Western societies have seen an increase of higher-paid professional employment at the expense of low-paid jobs – most particularly in agriculture and menial forms of manual labor (domestic work, laboring as navvies, carters, etc.) – and, to a lesser degree, medium-waged jobs (most particularly in manufacturing). This is evident in Fig. 3, where I allocate Australian workers into three broad categories, based on ABS (2019b) data on employment and hourly wage rates. These categories are high-paid (mining, utilities, construction, finance, professional and scientific work, public-sector administration and defense, education and health), medium-paid (agriculture, manufacturing, wholesale, transport, information technology, real estate, private-sector administration), and low-paid (hospitality, retail, and arts and recreation). Now, some will, no doubt, argue that this is an arbitrary allocation and that there are low-paid workers (i.e., defined as those employed in industries where an hourly rate of less than $30 per hour and part-time work is the norm) in education just as there are high-paid in retail. This is undoubtedly true. Nevertheless, the *norm* in industries such as construction (mean wage of $38.70), health ($41.10), education ($49), and public administration ($49.60) is a wage that is high by past standards, providing employees with a standard of life unique in the human experience. It should be noted that in assigning an industry "high-wage" status I am mindful as to the prospect of secure or full-time work in addition to the possession of a mean hourly wage approximating $40 an hour or more.

It should be noted that the Australian situation is hardly unique. Although differences in collating employment by "industry" rule out a direct comparison of Australia and the United States on a like-for-like basis, if we look to "occupational"

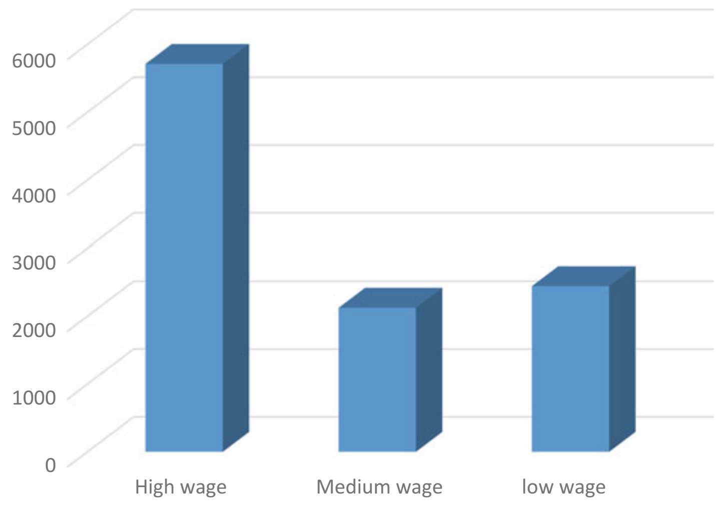

Fig. 3 Australian workforce, August 2019 – High-paid, medium-paid, low-paid (in thousands). (Source: Australian Bureau of Statistics, Characteristics of Employment, August 2019, Table 3.2)

employment in the United States in 2018, it is evident that almost half the United States workforce is employed in high-wage occupations (management, professional, construction, protective services such as firefighters). By comparison, 29% were employed in medium-waged jobs in either private-sector administration or "blue-collar" work (minus construction). Only 22.7% were employed in low-paid service and retail work (United States Department of Labor 2019a). What is therefore evident – in both the United States and Australia – is that the *most* significant change in the workforce is not the expansion of low-paid retail and service work. Rather, it is the growth of high paid work, most particularly in managerial and professional jobs, the latter two groups now comprising 43.5% of the United States workforce.

Is this sociological transformation reflected in terms of union membership, that is, has there been a displacement of "traditional," "medium-paid" workers by high-paid professionals? We explore this question in Fig. 4, which looks at the occupational distribution of trade union members in Australia in 2018, and the United States and Canada for 2017, according to four broad occupational categories (public sector, education, health; blue-collar; retail, wholesale, hospitality, art, and recreation; and private-sector professionals in finance, business services, science, etc.). As is self-evident, the fact that the United States, Australia, and Canada have markedly different labor relations laws – those in the United States regarded as the least sympathetic to union organization and those in Canada viewed as the most favorable – makes virtually no difference to where unions recruit. In the United States, 61% of union members are employed in the public sector or in private-sector jobs in

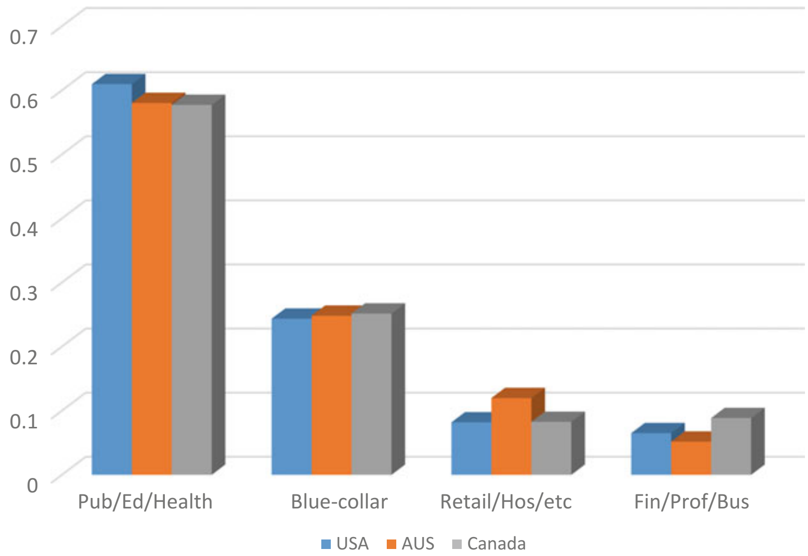

Fig. 4 Union membership by occupational categories, 2017–2018: United States, Australia, and Canada (in percent). (Source: Australian Bureau of Statistics, Characteristics of Employment, August 2018, Table 3; United States Bureau of Labor Statistics, "Economic News Release, 18 January 2019 – Table 3"; Statistics Canada, "Union Status by Industry, 2016–2018")

education or health (United States Bureau of Labor Statistics 2019a). In Australia and Canada, the comparable figures are 58% and 57.7%, respectively (ABS 2019a; Statistics Canada).

The fact that trade unions – at least in the case of the United States, Canada, and Australia – have become institutions dominated by one occupational cohort (i.e., comparatively well-paid workers in the public sector, education, and health) means it is not enough to explain union *decline*. One also needs to explain the process of *sociological transformation* that changed unions from being institutions that represented unskilled laborers, factory workers, and the like into organizations dominated by professionals who work in a restricted area of the economy, *and* the relationship between this transformation and the process of union decline. The fact that union membership is today strongest in the public sector also makes it hard to explain union decline in terms of "neo-liberalism," policies that Peetz (2019: 33) argues are commonly manifest in the "privatisation of public services or assets . . . and the running of public sector agencies along 'corporate' lines." For if government-implemented policies of "neo-liberalism" are the primary cause of union decline, why is it that those most directly exposed to "neo-liberalism" (i.e., those employed by "neo-liberal" governments) have witnessed continuing high levels of unionization? This trend, it should be noted, is most pronounced in Canada, where the nation's comparatively high union density (28.9% in 2018) is largely a public-sector phenomenon, the public sector boasting an extraordinary density rate of 67.1% (2,722,200 members) that contrasts markedly with Canada's pitiful private-sector density of 14.3% (1,715,300 members) (Statistics Canada 2019). The fact there is also very little difference in the pattern of membership in the United States, Australia, and Canada also suggests that the "sustained institutional protections" (i.e., laws, supportive government agencies, etc.) identified by Bruce Western (1995) are not seminal to union decline and survival. Differences in union organization strategies, to the extent that they exist, must also be ruled out as a significant factor in union decline and survival. Neither in the United States nor Australia, nor Canada, has union organizing been able to avert the marginalization of union membership in most areas of private-sector employment.

In exploring *both* the process of union decline *and* its changing social composition, this chapter argues that the *only* proposition that can explain outcomes in the three countries we consider (United States, Australia, and Canada) is that they are the product of the far-reaching sociological changes evident in all Western societies since World War II. In the United States, for example, union density peaked at 35% in 1953, at a time when 50.2% of the nonagricultural workforce were engaged in industrial occupations (mining, construction, manufacturing, transport, etc.). By 2017, at a time when union density stood at only 10.7%, only 17.5% of the American workforce were in industrial occupations (Bowden 2018: 281). A similar pattern is obvious in Australia. Here, union density peaked at 64.9% in 1947–1948, a time when some 60.1% of the workforce were engaged in industrial occupations. By August 2016, when barely one-fifth of the Australian workers were found in industrial occupations, union density stood at a derisory 14.5% (Bowden 2018: 281). What makes the process of union decline and transformation a complex rather than a simple matter is that, everywhere across the Western world, union decline was mitigated during the 1960s and 1970s by the unionization of white-collar and professional workers in the public sector, education, and health. In the case of Australia, as Fig. 5 indicates, between 1971 and 1996, union decline occurred at a slower rate than the fall in blue-collar employment. After 1996, however, it happened at a much faster rate. Similar trends, as we shall discuss below, were also evident in the United States, Canada, and other advanced economies.

Why was it that the influx of new types of workers in the 1960s and 1970s only provided a temporary reprieve for unions, eventually ending in a precipitous decline in membership among what remained of the labor movement's "traditional" blue-collar base? No doubt, the answer to this question is complex. However, one thing that we can *infer* – although not *prove* – is that the influx of middle-class professionals eventually proved a double-edged sword as public-sector and professionally dominated unions pursued policies that proved unattractive to other workers. Traditionally in the academic literature the concept of "social unionism" (i.e., the pursuit of nontraditional objectives such as equality, racial and gender inclusiveness, climate change, etc.) has also been portrayed as a way of building support among younger and "marginalized" workers (see, for example, Schenk 2003; Burgmann and Burgmann 2017). However, in his recent book, *Getting the Blues: The Future of Australian Labor*, Nick Dyrenfurth – a long-time labor activist and head of the union-aligned Curtin Research Centre – suggests the reverse. In Dyrenfurth's (2019: 6) opinion, the increasingly middle-class composition of organized labor has seen it transformed from one articulating a "social-democratic" ethos concerned with "bread-and-butter" issues (jobs, wages, welfare) to a "progressive" movement

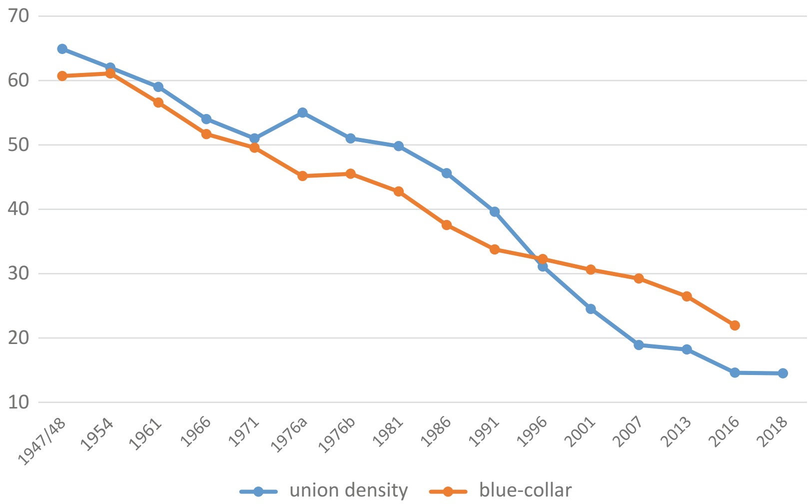

Fig. 5 Union density and blue-collar workforce share, Australia, 1947/48–2018*. ((Sources: Bowden et al., Work & Strife in Paradise, Appendix 19, 21). Note: Two different figures produced for 1976 under two different data series, the older of which was discontinued)

"championing" such issues as "diversity," "inclusivity," and "climate change." Rather than building support, Dyrenfurth (2019: 4) suggests that such policies have reduced its appeal among those for whom work, family, national identity, and patriotism are issues of defining importance. That the fracturing of the social-democratic/progressive coalition – evidenced in Brexit, the election of Donald Trump, the reelection of a conservative government in Australia in 2019, the resounding victory of the British Conservative party in December 2019 – is *one* factor in the dismal support that unions currently enjoy among blue-collar and low-paid service-sector (see Fig. 3) is probable. That it is now a *central* factor in the continued decline of trade unionism is at least possible.

Union Decline and Changing Academic Explanations

Like most areas of research, those who publish on trade unions invariably do so with some "agenda" in mind. Rarely are unions portrayed as a good in and by themselves. Rather, their beneficial role is found in the provision of some greater "good": industrial peace, increased productivity, amelioration of social inequality, fermenting revolution. In the Preface to the 1902 edition of their famed study, *The History of Trade Unionism*, Sidney and Beatrice Webb (1902: xix) argued, for example, that trade unions only succeeded – and only play a socially-beneficial role – when they associate the interests of members with "the utmost possible stimulus to speed and productivity." Conversely, they suggested, any union "struggle against . . . maximising productivity . . . must necessarily fail" (Webb and Webb 1902: xviii). The association of trade unionism with efficient markets and productive workplaces also characterized the work of John Commons and the so-called Wisconsin school in the late nineteenth and early twentieth centuries. In Commons' (1905: 11) opinion, union-enforced collective agreements, by "taking wages out of competition," forced employers to improve profitability by more efficient work practices rather than by cutting wages. By contrast, the Russian Marxist, Vladimir Lenin (1902/1946: 216) believed that unions only played a useful role when they were turned into training grounds for revolution, a process in which the activist "intervenes in every sphere and in every question of social and political life . . .rousing political discontent."

Never totally dormant, the tension between these fundamentally different understandings of unionism – one associating it with increased productivity and market efficiency and the other with far-reaching social change – re-emerged in the 1960s and 1970s. On one side were the industrial relations "pluralists" – John Dunlop (1958), Hugh Clegg (1975), Allan Flanders, and Alan Fox (1969) – who, concerned by rising levels of industrial disputation, saw in trade unions a necessary social glue. As Clegg (1975: 310, 316) explained, unions played an essential societal role when they share with management a set of "rules," "a moral doctrine" that puts boundaries around "greed and social division." In opposition to such "pluralist" beliefs, and benefiting from a rising tide of student and worker militancy, emerged alternative understandings largely founded upon Marxism. In famously rejecting "pluralist" assumptions, the British Marxist, Richard Hyman (1978: 32), declared that "trade unionism" was only useful to the extent that it acted "as an effective means of pursuing interests which differ significantly from those of the employer." In a similar vein, Ian Turner (1965: xvii) declared the "labor movement" to be "the institutional method by which the masses transform themselves from . . . weights to be pushed around to social levers in their own right." Alongside these "pluralist" and "radical" schools of thought, there also emerged another tradition that emphasized the pragmatic, largely nonideological viewpoint of the typical union member. In Australia, this "pragmatic" tradition was personified in the work of James Seymour (Jim) Hagan, an academic responsible for the training of a generation of industrial relations academics and labor historians at the University of Wollongong (including me). As Hagan (1966: 22, 1) expressed it in his *Printers and Politics*, the typical craft unionist "was essentially conservative," happy to work within the confines of capitalism and seeing in their unions a "means of preserving a privileged position" within the workforce. In arguing in favor of this "pragmatic" view of unionism, Hagan was of course pursuing an agenda of his own, in which trade unionism was perceived as an essential platform for a social-democratic state, based upon acceptance of capitalism and piece-meal "bread-and-butter" reforms (see Hagan, 1981: i–xii, for his core concept of "laborism").

During the 1980s, a profound alteration occurred in the academic literature on trade unions. Whereas in the previous decade the literature depicted unions as important agents for either social stability or far-reaching change, now the very survival of trade unions appeared at stake as traditional blue-collar unions in manufacturing and mining suffered from mass layoffs in the global recession of 1981–1983. In Canada, for example, the United Steelworkers Union – historically one of the nation's most powerful – lost almost a third of its membership in the early 1980s, membership falling from 180,000 to 125,000 (Yates 2003: 223). Writing of United States circumstances, Kochan et al. (1986/1988): 110, 114) observed in the most influential study of the era that "the 1980s stand out as a period of fundamental structural change," a time in which unionized workforces suffered "intensified competition from either international or domestic nonunion competitors." Echoing the Webbs' earlier opinion, Kochan et al. (1986/1988: 103–104) argued that unions had erred in focusing on "job control" and higher wages at the expense of productivity maximization. In the opinion of not only Kochan, Katz, and McKersie but of a host of renowned academics (Sabel 1982; Piore and Sabel 1984; Enderwick 1984; Mathews 1989), union survival was now dependent upon its unconditional embrace of new forms of work organization, variously described as "post-Fordist," "flexible specialization," "lean production," or "flexible-volume production." In an oft-cited book – *What do Unions do?* – Freeman and Medoff (1984: 169) claimed that, "most studies of productivity find that unionized establishments are more productive than otherwise comparable non-union establishments," although they did add the proviso that "unionized labor costs are also higher." So pervasive did the "post-Fordist" literature become that many, if not most, senior union officials deluded themselves that structural changes in the economy actually favored a revitalization of unionism. Heralding a major shift in official Australian union attitudes, an Australian Council of Trade Union (ACTU) study, *Australia Reconstructed*, asserted in 1987:

> Previously, industry and production proceeded largely under authoritarian supervision . . . The conditions and imperatives of production now asserting themselves in Western civilized countries are qualitatively different. Maximum productivity cannot be achieved through the old methods. (ACTU/TDC 1987: 135)

Convinced that in the new "post-Fordist" world we would see a simultaneous advance in union membership, productivity, and real wages, the ACTU actively (and successfully) sought the dismantling of Australia's centralized system of wage-fixation, premised on economic need, in favor of a system of enterprise-based bargaining in which wages were linked to skill levels and productivity increases.

In retrospect, the trade union and academic interest in workplace productivity represents an important recognition that nominal wage increases are meaningless in the medium-to-long term unless they correspond to a per capita increase in the society's goods and services. It is also true, however, that most of the "post-Fordist" literature of the time was simplistic, typically involving grandiose predictions that had little correspondence to the actual course of subsequent events. Manufacturing, retail, and fast-food continued to be dominated by traditional "Fordist" or "Taylorist" work methods. Where productivity gains were made, they did little to offset the long-term, secular decline of manufacturing in most Western societies. In the United States, for example, factory employment continued to fall in *absolute* terms, job numbers declining from a peak of 17.2 million in 1953 to 14.7 million in 2017 before modestly rebounding to 14.9 million in 2018 under the Trump administration's protectionist policies (Bowden 2018: 281; United States Department of Labor 2019a). In Australia as well, manufacturing employment in August 2019 (886,100) was well down on the peak (1.2 million) recorded in 1954 (ABS 2019b). Claims that unionized workplaces, by allowing workers a "collective voice" in decision-making, were inherently more productive than their nonunion firms – a claim never made by the Webbs – were always implausible. To the extent that union firms *were* more productive than their nonunion counter-parts, Hirsch and Addison (1986: 207) observed that such gains typically followed a union-induced wage "shock" (i.e., higher wages) as management sought efficiencies to offset higher labor costs. Rarely, however, were efficiencies sufficient to offset the higher costs of unionized labor, Hirsch and Addison (1986: 198) concluding that, "all the available evidence suggests that unionism reduces profitability."

By the early 1990s, it was obvious to all-and-sundry that the unionized embrace of work reform and productivity had done little to offset a loss of private-sector members in "traditional" blue-collar callings. Writing of the dire circumstances that prevailed in the United States in the mid-1990s, Juravich and Bronfenbrenner (1998: 262) lamented the fact private-sector membership was in "free fall." It was, Juravich and Bronfenbrenner (1998: 262) continued, only an increase in public-sector members – who by then comprised one-third of the unionists affiliated with the American

Federation of Labor/ Confederation of Industrial Organizations (AFL/CIO) – that "prevented the wholesale hemorrhaging of the labor movement." Such circumstances were the new norm across the English-speaking world and beyond. In Canada, union density fell from 39.2% to 32.6% across the course of the 1990s. Once more, only an increase in public-sector membership avoided a collapse in overall density rates, Kumar and Murray (2003: 204) recording that, at that time, "Just under half of all union members in Canada (48.3 per cent) can be found in just three sectors: education, health and social services, or public administration." Similarly, in Australia, union density among manufacturing workers, the historic backbone of the nation's unionized sector, fell from 51.2% in 1986 – when unions decided to link wage increases to productivity – to 38.7% a decade later. By 2007, union density in manufacturing stood at a feeble 21.3%. Across the private sector as a whole, union membership fell from 1.36 million in 1992 to 1.21 million in 2000. During the same period, the number of nonunionists in the private sector rose from 3.2 million to almost five million (ABS 2007).

Amid a collapse in private-sector membership, industrial relations academics and senior union officials both embraced a new fad as they searched for a magic elixir to revive sagging union fortunes: the so-called "Organizing Model."

In terms of origins, the "Organizing Model" was a peculiarly American invention, inspired by the belief that the combination of grass-roots activism and social mobilization that had been so effective on university campuses during the anti-Vietnam war and Civil Rights movements was also applicable to union revitalization (Voss and Sherman 2003: 65–66; Bronfenbrenner 2003: 32). The fundamental (stated) premise of the "Organizing Model," as articulated by Kate Bronfenbrenner (the leading advocate of the new strategy) and her co-authors in 1998, was that "Unions themselves bear significant responsibility for the decline in unionization" (Bronfenbrenner et al. 1998: 5). According to advocates of the "Organizing Model," unions suffered from bureaucratization and a loss of organizing and reforming zeal. The supposed result of this malady was a short-sighted "Servicing Model," in which unions serviced the needs of largely passive existing members (i.e., wage bargaining, dispute resolution, etc.). The recommended solution to this "problem" was to "empower" workers "to solve problems themselves, as opposed to having the union office – away from the workplace – solve it for them" (Peetz 2006: 164). In the process, organizing was to be redirected away from traditional activities (recruitment, bargaining, etc.) towards the fostering of networks of rank-and-file activists. Almost from the start, the concept of the "Organizing Model" was linked to the idea of "social movement unionism," in which union organizing and bargaining would supposedly become part of "community coalitions active in struggles for change." Accordingly, issues such as environmental action, greater racial, and sexual equality would become a core part of a new, transformative union agenda (Schenk 2003; Voss and Sherman 2003). As Charlotte Yates (2002: 39, 33) expressed it in relation to Canadian circumstance, central to the "Organizing Model" was an extension of unionism from a "privileged section of the working class" so as to "build membership among women and ethnically and racially diverse groups of workers," many of whom possessed a precarious hold on their jobs.

Enthusiastically embraced in the United States by a new AFL/CIO leadership (John Sweeney, Richard Trumka, Linda Chavez-Thompson), in 1995 American workers were promised organizing campaigns "at an unprecedented pace and scale" (Bronfenbrenner et al. 1998: 1). The summer of 1996 was declared a "Union Summer." One thousand college students and youth workers were mobilized for organizing drives. Spreading with religious-like fervor from the United States, the "Organizing Model" became the official policy of the Australian and New Zealand union movements in 1993–1994. British unions also embraced the concept (Bowden 2009: 138). Although no overarching peak council endorsed the "Organizing Model" in Canada, by 1999 it was nevertheless core to the revitalization strategies of broad sections of organized labor, including such unions as the Canadian Union of Public Employees, the United Steelworkers, and the United Brotherhood of Carpenters and Joiners (Yates 2002). Across the late 1990s and early 2000s, one constantly read academic articles pointing to the "Organizing Model's" successes. "In 1998," Bronfenbrenner (2003: 32) reported, "for the first time in decades, American unions organized as many new workers as were lost from lay-offs, plant closings, decertifications, and contracting out." Across the border in Canada, Yates (2003: 234, 221) pointed to the organization of Pinkerton security guards, and "more than 50 Kentucky Fried Chicken outlets in British Columbia," as "evidence that industrial unions are adapting successfully to new economic conditions." Similarly, in New Zealand, Sarah Oxenbridge (2003) reported how the Services and Food Workers Union had exploited the "Organizing Model" to rebuild its membership among some of the nation's worst-paid workers. Across the Tasman Sea in Australia, Rae Cooper (2002: 249) declared that recent statistics on union membership "were cause for celebration," unions having added "an extra 23,500 new recruits." As late as 2006, Peetz (2006: 163) was still arguing that, due to the "Organizing Model," the "tide that had seemed to swamping unions had somehow been held back . . . By 2004, in trend terms, union membership had stabilised."

The fundamental premise behind the "Organizing Model" – that workers, preoccupied with countless other concerns (shopping, meal preparation, football practice, medical concerns, etc.), would enthusiastically embrace the role of union activist – was always impracticable. Writing in 2009, I (Bowden 2009: 140) observed in relation to the Australian situation that, "Empirically, there is no evidence to suggest that . . .the organizing model has had any meaningful effect." More than a decade later, the merit of this conclusion is even more obvious. In 1992, a few years prior to the adoption of the "Organizing Model," Australia boasted 2.5 million union members and a union density of almost 40%. By 2016, however, barely 1.5 million Australian workers held a union ticket. Union density had collapsed, falling to 14.6% (ABS 2006, 2017: Table 18). In Canada, where Kumar and Murray (2003: 202–204) had fretted over the fact that – with union density at 32.6% in 2000 – unions had become too reliant on membership in 3 sectors (education, health, and public administration), union density stood at 28.1% in 2018. Of the Canadian total, 58.5% were in education, health, and public administration, compared to 48.3% in 2000. In the United States, union density stood at 10.5% in 2018, a third less than the figure recorded in 1993 (15.7%). Despite vaunted local successes, the attempt to build support among racial minorities ended in ignominious failure. Whereas in 1993, 20.8% of African-American workers were union members, by 2018 only 12.5% were unionized. Among Hispanics and Latinos, union density fell from 14.8% in 1993 to 9.1% in 2018 (United States Bureau of Labor Statistics 2019b).

As evidence as to the failure of the "Organizing Model" became obvious the proffered explanations as to union decline increasingly emphasized the "neo-liberal" policies of governments and employers. In other words, the blame shifted from the unions themselves to cultural and political trends in the wider society. Thus, we are advised that "in Anglo-Saxon countries" both "governments and employers" have attacked "unions through neo-liberal legislation" (Ibsen and Tapia 2017: 179), that "privatization, marketization, liberalization, deregulation, and reductions in state funding" had curtailed union strength (Gall et al. 2011: 2), and that unions and the "working poor" are subject to "the policies of unmitigated – oppressive – neo-liberalism" (McManus 2018: 1).

Now, no one would deny that there *was* a greater emphasis on market economics and free trade between the 1980s and the late 2010s. It is also undoubtedly the case that in broad areas of the economy this was *one* undoubted factor in union decline. The problem with the neo-liberal "explanation," however, is that it has become an excuse for lazy thinking, in which a complex phenomenon that played out differently in different countries – and in different areas of the economy – is treated as if it was an all-destructive hurricane that obliterated the previous Keynesian and pre-Keynesian landscape. Should we, for example, treat the Rudd-Gillard governments that ruled Australia between 2007 and 2013, bringing in the more union-friendly *Fair Work Act 2009*, as a "neo-liberal" administration? Was Barack Obama, with his policies for extended health care, a "neo-liberal"? Is Donald Trump, with his protectionist trade policies, an example of "neo-liberalist globalism"? Indeed, on a number of key fronts – American protectionism, Brexit, etc. – market liberalization and globalization appears to be in retreat. Nowhere, moreover, can we see evidence of a society where long-established institutions of the welfare state have been destroyed. Even in the United States, as Fig. 4 suggests, the various levels of government continue to employ the bulk of the nation's teachers, nurses, and emergency service workers. Across the OECD the share of GDP going to taxes has risen not fallen, typically consuming around a third of the total. Of this total, 26% on average comprises contributions to social security (OECD 2019a). That the state remains a significant factor in the Australian economy is ascertained by the fact that in August 2018 almost a third of Australian workers were employed in either health care and social assistance (1.53 million), education (968,000) or public administration (811,600), areas that now comprise the great bulk of Australian union members (ABS 2019a). The benevolence of the supposed "neo-liberal" state is even more vital to Canadian union survival, where the public sector employs – as we have previously noted – 58.5% of the unionized workforce.

If we look to both the academic literature on both the "Organizing Model" and "neo-liberalism," we can ascertain a confusion of purpose or, rather, a conflating of two very different strategic objectives – union revitalization and radical social change in the pursuit of environmental action, greater levels of gender, racial and sexual equality – as if they were one. This conflating of two separate objectives as one begs the question: what is the *primary* objective? Is it rebuilding trade union numbers and union density? If this were the primary objective, then unions would be better off directing their attention at the large cohorts of comparatively well-paid professionals in finance, scientific and technical research, business services at the like. Not only are such workers a significant and growing part of the workforce, they also have attributes – job security, comparatively high wages – that make the payment of union dues a less onerous financial burden than it is for the casual fast food worker or office janitor. If, on the other hand, social change is the key objective – addressing the plight of the marginalized – then unions need to transform themselves into the organizations that Lenin (1902/1946: 216) envisaged, in which the union activist "intervenes in every sphere and in every question of social and political life . . .rousing political discontent." Accordingly, traditional industrial objectives (wage bargaining, dispute resolution, recruitment) should take second fiddle behind social mobilization. Admittedly, advocates of transformative "social movement unionism" (Yates 2002; Bronfenbrenner 2003; Peetz 2019) would argue that union involvement in community, environmental, and social equality campaigns attracts members who would not otherwise be favorably inclined towards unionism. The historical record, however, contradicts this view. Nowhere has the pursuit of "social movement unionism" resulted in a statistically significant increase in union membership among racial minorities or among low-paid retail and hospitality workers. For the fact of the matter is that the pursuit of traditional union objectives – wage increases, job security, etc. – are things that most workers can readily identify as in their self-interest. By contrast, the pursuit of "social objectives" is inherently divisive. It will attract some. However, it will also alienate others who believe that such objectives represent a misallocation of their membership dues. It is certainly a mistake to assume that the working class voter still identifies with social democratic or "progressive" party politics. A YouGov survey of voters in the December 2019 British election, for example, found that 50% of those drawn from the poorest quartile composed of less skilled workers, and those outside the workforce, voted for either the Conservatives or the Brexit Party. Support for the Conservatives and the Brexit Party among those from the quartile above them, comprising skilled workers, was even higher, 52% voting for one of these two parties. By comparison, only 34% of those in the poorest quartile voted Labor. In the second poorest quartile, support for Labor was even lower at 31% (McDonnell and Curtis 2019).

The capacity of "social movement unionism" to erode rather than enhance union strength is evidenced in my home state of Queensland, Australia, where the Queensland Nurses Union (QNU) has long been one of the state's largest, proudly boasting a commitment to "positive and sustainable social change" (QNU 2016: 21). In recent years, however, the QNU has faced a nonunion rival, the Nurses Professional

Association of Queensland (NPAQ), which provides workers with indemnity insurance and representation in any personal employment matter. In explaining how the NPAQ came into existence, the association's website states that it resulted from the action of "a group of nurses" annoyed at the QNU's "use of membership money to battle for political causes which quite possibly at least half of their members disagree with" (NPAQ 2019). Strictly nonpolitical, the NPAQ recruited 5000 members in quick order, presumably at the QNU's expense. In explaining why nurses should join this association rather than the established union, the NPAQ's (2019) website, which operates under the slogan, "Protection without Politics," declares:

> Not one cent of your hard-earned membership money goes to any political party or cause. 100% goes to providing protection and advancement to you and your profession.

At one level, the NPAQ's 5000 odd members are inconsequential. In 2018, the Australian health sector boasted an estimated 328,500 unionists, a larger total than found in any other industry. However, as is the case with other highly unionized professional industries in Australia (public administration, education), an increasing numeric strength disguises a steady decline in union density. Whereas 34.5% of Australia's health workers were union members in 1996, by 2018 only 22.6% of the workforce was unionized (ABS 2019b). Thus, while we cannot be sure of how many health workers were alienated – or attracted – by the "social movement unionism" of organizations such as the Nurses Union, we *can* conclude it has been ineffective in actually building union density within the sector.

Union Transformation: Australia, the United States, and Canada

If we look at the *process* of union decline – *and* the debates associated with that decline – we can ascertain that in the United States, Australia, Canada, and elsewhere the *initial* fall in union density (i.e., prior to 1980) was primarily associated with structural changes in the economy as well as a growing employer propensity to relocate work to nonunion locales. These developments eroded organized labor's strength among "traditional" unionists in areas such as manufacturing, mining, and transport. The large-scale loss of unionized blue-collar jobs in the global recession of the early 1980s appeared to confirm the prognosis that the crisis of union membership was primarily one of productivity and workplace efficiency; problems that both unions and industrial relations academics believed could be reversed if union members became more productive and efficient. In retrospect, the "productivity" agenda pursued between the late 1970s and the early 1990s needs to be seen as a failed attempt to rebuild unionism on its traditional sociological base of blue-collar workers. With the failure of this revitalization campaign obvious by the early 1990s, the numerical and intellectual leadership of organized labor passed to a different type of unionist. Increasingly university educated – and drawing strength from the unionized membership in areas such as education, health, and the public sector – this new generation of activists and theorists typically believed that union salvation lay in the "Organizing Model," "social movement unionism," and in ideological and cultural campaigns against "neo-liberalism" and social inequality in all its manifestations.

One of the paradoxes caused by both the shift in the center of union gravity (i.e., from blue-collar to professionally based unions) and the growing emphasis on a "progressive" union agenda (i.e., working to redress social, gender, and racial inequalities) is that the union movement has become well represented among comparatively well-paid professionals and poorly represented among the less affluent and the marginalized. There is thus a gulf between stated intent – to transform unionism from a force representing a "privileged section of the working class" into one with a strong "membership among women and ethnically and racially diverse groups of workers" (Yates 2002: 39, 33) – and actual outcome.

This paradoxical effect is evident in Figs. 6, 7, 8, 9, and 10, which record the areas where union membership was located in the United States and Canada in 2017 and in Australia in 2018. The most significant caution that needs to be given in presenting this data is to note that the United States differs from Australia and Canada in recording public sector teachers, nurses, and the like under the level of government that employs them (i.e., local government, state government, etc.) rather than under the occupational industry (i.e., education, health, etc.). The implications of this

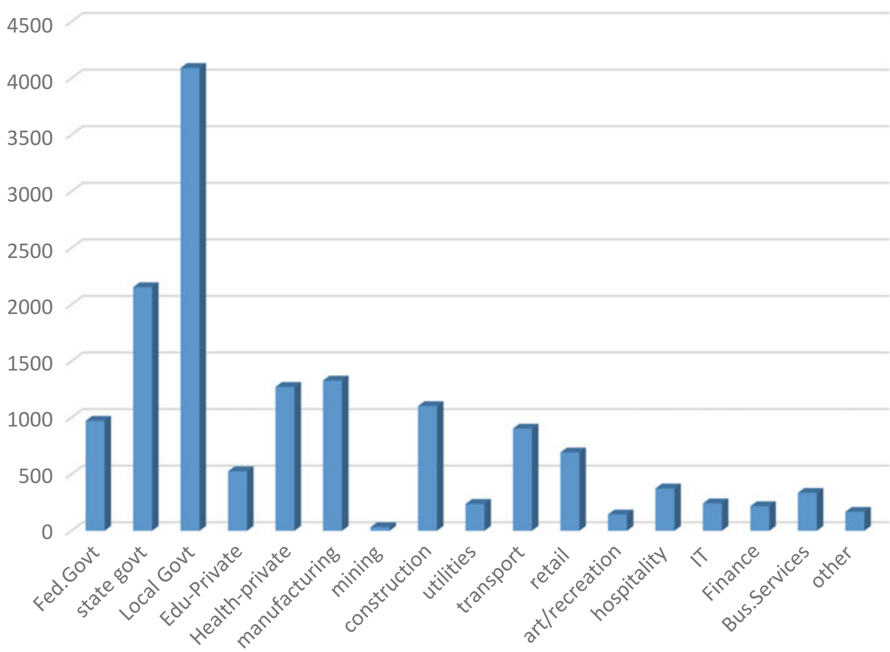

Fig. 6 United States union membership by industry, 2017 (in thousands). (Source: US Bureau of Labor Statistics, Table 3: Union Affiliation of Wage and Salary Earners, 2017–2018)

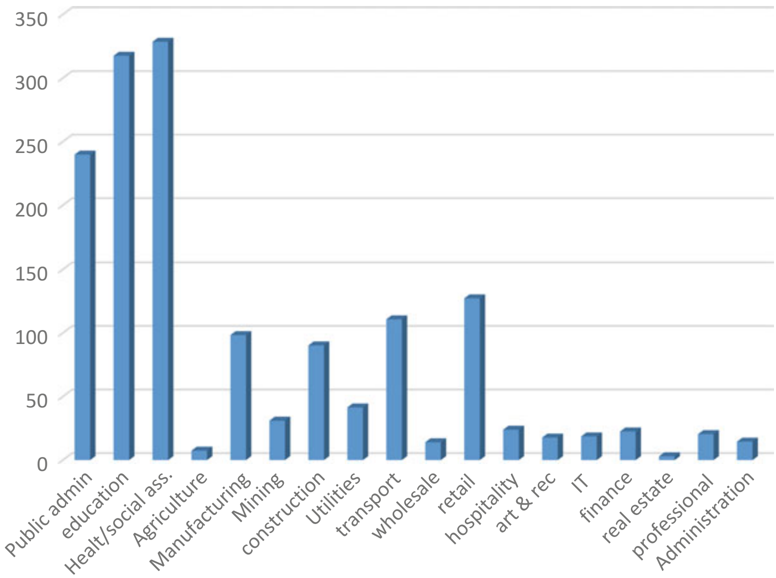

Fig. 7 Australian union membership by industry, 2018 (in thousands). (Source: ABS, Characteristics of Employment, Aug. 2018, Table 3.1)

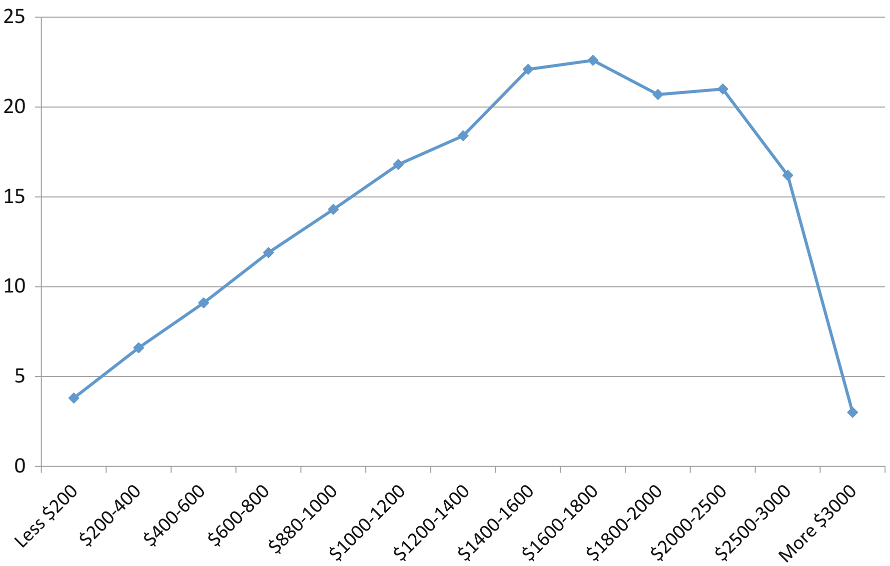

Fig. 8 Australian union density according to wage bands, 2016. (Source: ABS, Characteristics of Employment, Australia, August 2016)

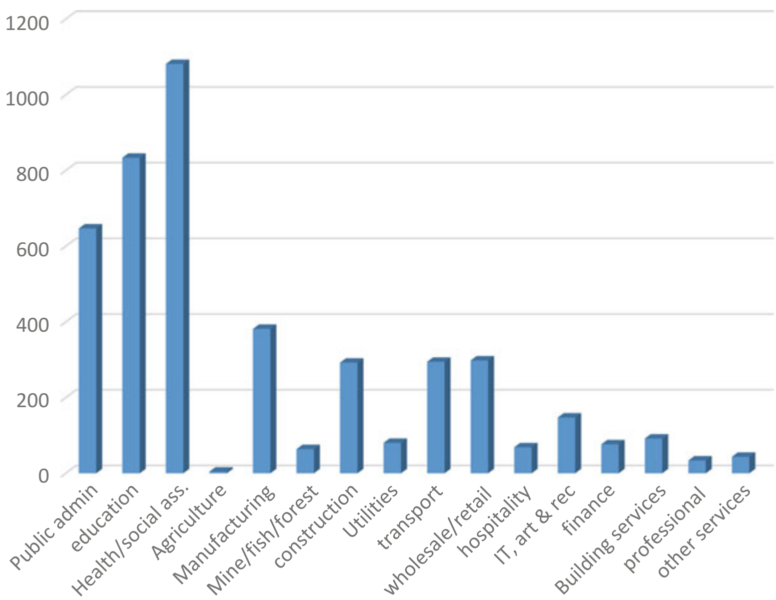

Fig. 9 Canadian union membership (in thousands) by industry, 2017. (Source: Statistics Canada, Union Status by Industry, 2014–2018 – Employees who are union members)

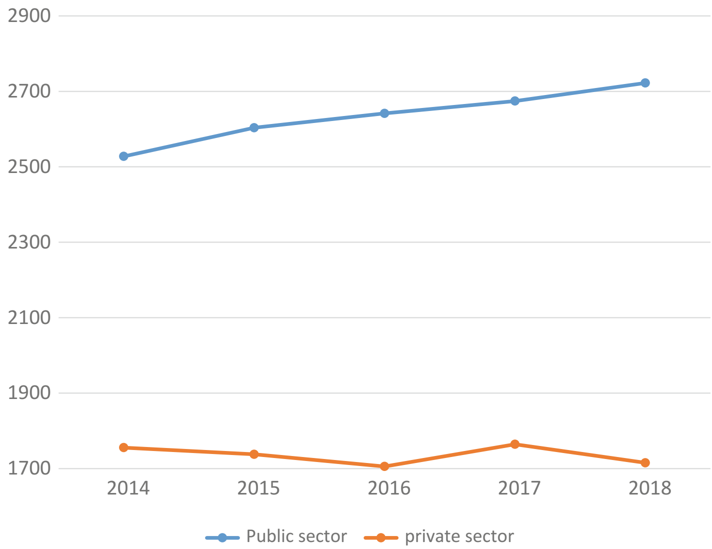

Fig. 10 Canadian private and public sector union membership (in thousands), 2014–2018. (Source: Statistics Canada, Union Status by Industry, 2014–2018 – Employees who are union members)

difference in data presentation are, as noted below, most significant with regards our understandings of Canadian circumstance.

In looking at the United States context, it is evident that local and state government employment (i.e., teachers, health workers, social workers, police, firefighters, etc.) is today the great bastion of American union strength. Together, unions in local government (4.1 million) and state government (2.2 million) are responsible for 42.2% of United States union membership. Density is also higher in these two sectors than elsewhere. In local government, 40.7% of the workforce are unionized. Among state government workers, union density stood at 30.9% in 2017. When the 972,000 unionists employed by the federal government – where union density stood at 26.5% in 2017 – are added, we can ascertain that almost half of American unionists (48.8%) are directly employed by the state, an outcome that belies the supposed hostility of the "neo-liberal" state to union membership. Yes, it is true, that in certain regions – most particularly the South and the Mid-West – there is an aversion to unions among governments in the so-called "Right to Work" states. However, this aversion should not be seen as the national norm. Public-sector unionism would not survive if this were the case. Meanwhile, membership in the most significant areas of "traditional" blue-collar work in the United States – manufacturing (1.3 million unionists), construction (1.1 million) and transport (903,000) – provided a total of 3.3 million unionists in 2017; a figure overshadowed 7.2 million government-employed union members. It is also the case that the number of private-sector unionists in professionally dominated health care (1.3 million) rivaled that found in manufacturing. Private-sector unionists in education (526,000) also easily outnumbered those found in hospitality (374,000). Collectively, as we previously noted in Figs. 4, 61% of union members in 2017 either were government employees or employed in private-sector jobs in education and health. By contrast, union membership in the industries most associated with casual and insecure work – retail (692,000 unionists), hospitality (364,000 unionists), and art and recreation (144,000) – collectively boasted 1.2 million members. This represented only 8.2% of United States union membership in 2017. What is thus evident is that the pattern of American union membership in 2017 was atypical of that of the wider workforce. Strong in the public sector, it was weak in the private sector. In the low-paid, industries where racial minorities are concentrated, unionism has proved unattractive. The same conclusion applies to the fast-growing areas of private-sector professional employment (business services, information technology, etc.)

In Australia, where overall union density (14.6% in 2018) is higher than in the United States (10.5% in 2018), the association of unionism with a comparatively small – and comparatively privileged – section of the workforce is even more apparent. As is evident in Fig. 7, health care and social assistance (328,500 union members in 2018) and education (317,500 members) are the two great bastions of Australian union strength. Together, these two sectors were responsible for 42.3% of Australia's total union membership. The reliance of organized labor on these two groups can also be ascertained by the fact that, considered alone, union membership in health care and education rivals the combined total (379,000) found in *all* blue-collar callings (agriculture, mining, construction, utilities, manufacturing, and transport). Although unionists in Australian education are slightly less numerous than those found in health care and social assistance, it is education that boasts the highest density rate (34.4%). Outside of education, only public administration (30.8%), utilities (31.6%), health care and social assistance (22.6%), and transport (21.9%) exceed the national average (ABS 2019a: Table 18). As is the case in education and health care, where many are employed in state-owned schools, universities and hospitals, the union strength in utilities and transport is associated with state ownership and/or regulation (i.e., government-owned power stations, bus companies, railroads). Far from suffering economic disadvantage, workers in the education sector also boast some of the highest wages in Australia, the mean hourly rate in education standing at $49.00 per hour in 2018. Although the mean hourly wage rate in health care and social assistance ($41.10) in 2018 was significantly less than education, it could hardly be considered a low-wage sector (ABS 2019b: Table 3.2).

If the three principal sources of Australian union strength (health care and asocial assistance, education, and public administration) are associated with comparatively high-paid professional work, it was also the case in 2018 that the largest cohort of *private-sector* unionists (127,200) were in the low-paid retail sector. Significantly, union density in this sector (12.4%) was almost the same as that found in manufacturing (12.6%), an area of historic union strength (ABS 2019a: Table 18). It was also far superior to the union density obtained in the retail sector in the United States (4.5%).

What explains the comparative strength of Australian unionism in retail and, to lesser degree, hospitality, when compared to the United States and Canada? Significantly, it owes nothing to either the “Organizing Model” or “social movement unionism,” strategies that have proved largely ineffective in spreading support for unionism among low-paid workers. Instead, it rests on the “social partnership” fostered between Australia’s largest union – the Shop, Distributive and Allied Trades Association (SDA) – and large employers in retailing and fast food. In essence, the SDA has negotiated “enterprise agreements” with employers that allow them to avoid the otherwise compulsory provisions of Australia’s system of judicially determined “awards” (i.e., the *General Retail Industry Award*, the *Fast Food Industry Award*). The nature of this “social partnership” is apparent in the Agreement that currently applies to McDonald’s workers – the *McDonalds’ Australia Enterprise Agreement 2013* – where the only penalty rate (i.e., additional allowance) that applies is a 10% loading between the hours of 1 AM and 5 AM. Accordingly, if a 21-year-old employed as a Level 2 worker (the most common designation) worked an 8-h shift on a Saturday under the union-negotiated Agreement they would have received $172.88 in June 2018. The same worker, if engaged under the *Fast Food Industry Award*, would have received $212.90; an outcome that leaves those on “union conditions” $40.02 worse off. In return for such benefits, under s.43 of the Agreement, employers agreed to invite SDA officials to inductions and “crew meetings” at each store (SDA 2013/2018). Similarly, under the *KFC Team Members Enterprise Agreement (Queensland and Tweed Heads 2014–2017)*, the SDA agreed to a “buy-out” of penalty provisions in return for a 9% increase in base rates.

Consequently, in June 2018 a KFC worker – employed under "union conditions" – who undertook an 8-h shift was $28.33 worse off on Saturdays, and $72.31 worse off on Sundays, than if they had been employed under the award. Once more the SDA gained a suite of concessions relating to membership recruitment, concessions embodied in s.15 of the Agreement under the heading, "Union Related Matters and Union Encouragement" (Fair Work Commission 2014). [Note: federal "enterprise agreements" in Australia remain in force after their "expiry" date unless formally repealed by the Commonwealth Fair Work Commission].

Without the "social partnership" between the SDA and large employers, it is probable that Australian unions would boast few members in retail and hospitality. In 2018, union membership in these two sectors (151,100 members) represented 9.9% of Australia's total union strength. Nevertheless, despite this significant addition, it is apparent that, in modern Australia, people with high incomes are far more likely to be a union member than those with low incomes. As Fig. 8 indicates, which summarizes the results of an Australian Bureau of Statistics (2017) survey, of those earning $1600–$1800 per week in August 2016, 22.6% were unionized. Among those paid $2500–$3000 per week – the second highest wage cohort that the ABS reports – 16.2% were union members. By contrast, among those earning $600–$800 per week only 11.9% were union members. Among the ABS's worst paid cohort – those earning less than $200 per week – only 3.8% were union members. Now, historically, the higher wages obtained by union workers vis-à-vis their nonunion workers have been attributed to union bargaining success (see, Freeman and Medoff 1984; Peetz 2006). In other words, union membership *causes* a higher subsequent wage. There is, however, reason for concluding that the circumstances revealed in Fig. 8 results from the reverse, that is, it is the *prior* possession of a high wage that causes union membership. Accordingly, the decision not to join a union by low wage earners is, one suspects, informed in large part by the belief that union fees are an unaffordable luxury. Union membership can thus be seen as something akin to private medical insurance: a luxury enjoyed by society's more prosperous to protect them against unforeseen and adverse outcomes.

Invariably, Canada is a nation linked to what Bruce Western (1995: 12) refers to as "sustained institutional protections" that supposedly support both union organizing and bargaining. In the International Trade Union Federation's (ITUF) *Global Rights Index, 2018*, for example, Canada received the second highest ranking (Level 2 in a 6-level index), alongside nations such as Israel, Japan and Switzerland. By comparison, Australia ranked at Level 3 ("Regular Violations of Rights"). The United States obtained a rank of 4 ("Systematic Violation of Rights"), a score that supposedly puts it in a par with Haiti, Botswana, and Vietnam (ITUF 2018: 10–11). At first glance, this emphasis on "institutional" factors – largely associated with the greater ease with which Canadian unions can gain recognition as the official "bargaining agent" for a workplace – appears to be borne out by the nation's comparatively high union density (28.9% in 2018), a rate that has declined only modestly in recent years. However, as we have previously noted, since the mid-1990s, the strength of Canadian unionism has been increasingly associated with "just three sectors: education, health and social services, or public administration" (Kumar and Murray 2003: 204). The comparatively narrow base of Canadian unionism – as well as its extraordinary strength in it bastions of support – is also indicated in Fig. 9, which looks at membership by industry in 2017. At first glance, the similarities between Australian circumstances as revealed in Fig. 7 appear striking. Where Canada differs from Australia, however, is not in where its membership is concentrated but rather in the union densities obtained in areas of strength. Whereas union density in education in Australia stood at 34.4% in 2018, in Canada in 2017 an extraordinary 69% of educational workers were unionized. Densities were also far higher in public administration (67.3%) and health care and social assistance (52.4%). When we turn our attention to "traditional" blue-collar areas of union strength, we also once again find that density is much higher in Canada than Australia or the United States. In construction in 2017, 28.7% of the Canadian workforce was unionized. In Australia, by comparison, only 13% of the construction workforce was unionized in 2018. Similarly, in transport the density recorded in Canada in 2017 (38.1%) was much higher than in Australia, where only 21.9% of the transport workforce was unionized (Statistics Canada 2019; ABS 2019a). Canadian public sector unions have also avoided the long-term decline in support that has characterized Australia, where public sector density fell from 67.1% in 1992 to 38.9% in 2016 (ABS 2007, 2017).

The supposition that Canadian unions enjoy considerable support in both the private and the public sector – a conclusion easily garnered by a cursory consideration of union density across a range of industries – is contradicted by the trends evident in Fig. 10, which records changes in private and public sector membership. As is evident, private-sector membership is not only much lower than public sector membership, it is also trending downwards even as public-sector membership trends upwards. How can we therefore explain the comparatively high density rates in industries such as transport (36.9%), construction (28.7%), and manufacturing (23.3) given the fact that private-sector density (14.8% in 2017) is so low?

To explain the Canadian paradox of residual strength in "traditional" blue-collar industries – in the context of low private-sector membership – some basic mathematics and logic is required.

In 2017, there were 1,764,400 private-sector unionists in Canada (Statistics Canada 2019). If we look to union membership by industry, we can assume that nearly all of the unionists employed in finance and real estate (76,500), in business services (91,800), wholesale and retail (294,600), accommodation and food services (68,600), professional and technical services (33,800), and nonpublic "other services" (43,600) are employed in the private-sector – a total that comes to 608,900. If we (conservatively) assume that half of the 147,300 unionists employed in information, culture and recreation are in the private-sector than we have 687,550 private-sector service workers. Let us now (conservatively) assume that only 25% of unionists in health and education (1,915,100) are engaged in the private sector. On this assumption, our private-sector total rises to 1,166,325. We can also safely assume that nearly all of the unionists employed in agriculture, mining and forestry (68,100) are also in the private sector. This gives us a likely 1,234,425 private-sector unionists, outside of utilities, construction, manufacturing, and transportation, leaving space for 529,975 union members in these four industries. However, the total union strength in utilities (80,400), construction (292,300), manufacturing (381,600), and transportation (294,600) in 2017 came to 970,500. This would suggest that as many as 440,525 – or 45.4% – of the unionists employed in these four sectors work in the public sector. Even if my estimations of private sector membership in other industries is astray by several hundred thousand, it is nevertheless evident that public sector employment *must* be acting as a union refuge even for industries such as utilities, transportation, construction and manufacturing.

The manufacturing sector's experiences exemplify the experiences of Canadian private-sector union membership. Writing of the situation that prevailed in Canada in 2008, Bernard (2009: 11) lamented the fact that, "From 2004 to 2008, more than one in seven manufacturing jobs (322,000) disappeared in Canada." In Ontario, and in Newfoundland and Labrador, almost one-fifth of all manufacturing jobs were lost across this 5-year period. Significantly, unionized jobs in manufacturing had a greater propensity to be lost than nonunionized ones, Bernard (2009: 9) observed that, "From 1998 to 2008, unionized jobs in manufacturing disappeared twice as quickly as non-unionized ones." The circumstances that caused Bernard's lamentations were associated with a loss of 321,800 factory jobs between 2004 and 2008, losses that caused manufacturing employment to fall from 2.3 million in 2004 to 1,970,300 in 2008 (Bernard 2009: 9). By 2018, however, Canadian manufacturing had shed a further 318,068 jobs, leaving Canada with only 1,652,232 factory workers. In other words, Canada has lost 639,898 manufacturing jobs since 2004, losses which one suspects were particularly acute among private-sector unionized workplaces.

If private-sector employment – and hence union membership – is worse in Canada than the headline figures on union density would suggest, it is nevertheless also the case that public sector unionism enjoys unusual health. Two factors explain the unusually high level of union membership among Canadian public-sector workers. First, unlike the situation in Australia, Canadian collective agreements invariably contain clauses that enforce de facto compulsory unionism, an outcome that Canadian labor law expressly encourages. Thus, if we look to a typical public sector collective agreement, in the form of the *Collective Agreement between the Toronto District School Board and the Elementary Teachers' Federation of Ontario 2014–2019*, we find two clauses of particular significance. First, in Clause A.2.1, the Agreement grants the Elementary Teachers' Federation of Ontario recognition as "the sole and exclusive Bargaining Agent" for the teaching workforce. Even more significantly, Clause B.13.1 states that, "The Board shall deduct from each Teacher's pay and from each Continuing Education Teacher's Pay the regular union dues pursuant to the *Labour Relations Act*." In addition, Clause B.13.3 of the Agreement required the "Board" to "deduct from the pay of each Teacher" any levy authorized by the Elementary Teachers' Federation (see Elementary Teachers' Federation of Ontario 2017: 51, 37). In other words, the individual teacher who is covered by the Collective Agreement has little discretion as to whether or not they will be a financial member of the relevant union. This is a very different situation than that which prevails in Australia, where compulsory unionism is expressly prohibited by

Section 336 (1)(b)(i) of the *Fair Work Act*, which declares that workers are "free to become, or not become, members of industrial associations" (Australian Government 2009).

The second factor that has benefited Canadian public sector unions is the comparative benevolence of all sectors of government when it comes to both union bargaining *and* the provision of employment. In describing the experiences of public sector employees since the Global Financial Crisis of 2007–2009, J.B. Rose (2016: 101) declares it a period of "consolidation," characterized by a "sustained" increase in "public employment" that contrasted markedly with earlier recessions, when governments had cut public sector employment. Rather than cut jobs, Canadian governments increased employment as part of "fiscal stimulus programs" (Rose 2016: 102). Canada's federal government also increased spending in areas such as the National Child Benefit, affordable housing, health care, public transport, and postsecondary education (Fodor 2013). Overall, public sector employment grew from 3.4 million in 2008 to almost 3.8 million in 2018 (Rose 2016; Statistics Canada 2019). With unionized collective agreements continuing to cover around three-quarters of the public sector workforce (Rose 2016: 102), most of these additional 379,265 public sector workers ended up swelling the ranks of organized labor, given the prevalence of the de facto compulsory union membership clauses we noted in the Agreement negotiated by the Elementary Teachers' Federation of Ontario. This unusual propensity to negotiate with organized labor distinguishes Canadian public sector employers from their American counterparts. For while United States collective agreements typically contain "union recognition" and membership clauses similar to those in Canada – and unlike those in Australia – there is nevertheless, as we have previously noted, an aversion to unionized bargaining in the so-called "Right to Work" states in the American South and Mid-West. In consequence, Canadian *public-sector* unions – if not their private-sector counterparts – have benefited from both favorable laws and benevolent governments. As a result, as Rose (2016: 103) observes, Canada's largest union, the Canadian Union of Public Employees (CUPE), grew by 67% between 1998 and 2013. By 2019, the CUPE (2019) claimed 700,000 members in areas as diverse as "emergency services, education, early learning and child care, municipalities, social services, libraries, utilities, transportation, airlines." Other unions to have benefited significantly from the favorable confluence of factors in the Canadian public sector include the National Union of Public and General Employees (390,000 members in 2019) and the Public Service Alliance of Canada (200,000 members in 2019).

The Canadian experience arguably highlights the paradox of unionism in advanced Western economies. Workers in traditional areas of union strength such as manufacturing continue to experience a precarious existence in the face of continuing job losses. In low-paid industries such as retail and hospitality, the near total absence of a union presence belies any claim that unionism has been effective in extending its representation from the comparatively "privileged" (Yates 2002: 39). In the accommodation and food services sector of the Canadian workforce, there were, for example, 1,125,000 workers scrapping a living in 2018 – a total that is equivalent to almost 30% of the entire public sector workforce. However, only 5.6 of these battlers boasted a union ticket, a lower percentage than that obtained 5 years before, when 5.8% belonged to a union (Statistics Canada 2019). Across the private sector as a whole, unionism in Canada – as elsewhere – continues its long retreat.

In summary, we can conclude that rather than having witnessed an expansion of its social base because of the "union revitalization" campaigns pursued with the endorsement of countless academic researchers, unionism has witnessed a further shrinkage, a process that increasingly confines union membership to comparatively privileged sections of the workforce employed in education, health, and the public sector.

Where to for Unions and Employment Relations?

In a recent article, Simon Mollan (2019: 513) criticized my predilection – as demonstrated in my study, *Work, Wealth and Postmodernism* – for viewing "the chief issues of our time . . . through the lens of economics" (i.e., productivity, labor force participation, real wage growth, etc.). In doing so, Mollan (2019: 513) argued in favor of "postmodernist concerns with power and its distribution," an orientation that prioritizes "inequality and discrimination in work, pay, and advancement based on gender, ethnicity, race, or sexuality." This emphasis on power and politics also characterizes the conclusions of Jon Wisman's ▶ Chap. 43, "Why did the Great Recession Fail to Produce a *New* New Deal in the USA?" in this section of the *Palgrave Handbook of Management History*. For Wiseman (▶ Chap. 43, "Why did the Great Recession Fail to Produce a *New* New Deal in the USA?"), the central issue of our time is the struggle against "the entrenched" neo-liberal "ideology" that serves to "increase the elites' capacity to capture ever more income, wealth and privilege, continuing the explosive rise in inequality of the past 45 years."

In looking at the issues of employment relations and trade unionism there is thus today – as there always has been – two fundamentally different ways of perceiving these issues. One perspective – grounded in the traditions of Sidney and Beatrice Webb, John Commons, John Dunlop, Allan Flanders, Hugh Clegg, Jim Hagan – accepts the benefits of free market capitalism, believing that employees and their unions can work cooperatively with employers and government to build employment, real national wealth, and a just share for workers. In articulating this viewpoint at the dawn of the twentieth century, Sidney and Beatrice Webb (1902: xviii, xx) condemned as "short-sighted" the tendency of union activists to ignore just employer concerns about productivity and profitability, arguing instead for a balancing of "compatible" worker and employer interests. By contrast, the alterative perspective – informing commenters and activist such as Marx, Lenin, Foucault, Hyman, Bronfenbrenner, Yates, and Peetz – has seen employment relations primarily in terms of power, a battle that sets workers in perpetual opposition to employers and hostile state agencies. As Peetz (2019: 13) expresses it, "Eventually, increases in work intensity or working hours become unsustainable in the face of organized and unorganized resistance by employees."

It is fair to say that among labor relations academics the more radical perspective – emphasizing conflict, power and the incompatibility of employer and employee interests – is today in the ascendancy. At first glance, the ascendancy of the more radical perspective appears paradoxical. Across the Western world, support for social democratic and progressive parties among blue-collar workers and lower-paid white-collar workers has collapsed. As Dyrenfurth (2019: 6) notes in relation to the Australian experience, "Like its social democratic cousins, Australian Labor is increasingly detached from its working-class base of blue-collar and precarious white-collar workers." Similarly, support for unions among poorer blue-collar and service industry workers (i.e., retail, hospitality, recreation, etc.) is lower now than it was during the first decade of the twentieth century.

How can we explain the popularity of a radical perspective, emphasizing power imbalances and inequality, when comparatively well-paid workers who boast jobs in education now dominate the ranks of trade unions, health care, and public administration? Explanation is found in the fact that the working lives of a large section of the workforce – and a much bigger percentage of those who hold a union ticket – are no longer *primarily* shaped by what Adam Smith (1776/1999: Book 1, Chap. V, para. 4) referred to as the "higgling of the market." Rather, if you are employed as a university lecturer in a state-owned or state-funded university, or as a nurse in public or public-funded hospital, your employment is primarily determined by politics rather than economics. Even if the wider market economy is behaving poorly, showing little vitality in terms of either productivity or per capita growth, a government can still increase public sector employment and wages, either by increasing taxes or by borrowing. Moreover, the greater the number of people employed in the public sector – and in firms reliant on government funding rather than market sales – the more likely the government will concede to pressure from the organized blocs which benefit from government largesse (i.e., public-sector unionists, state-funded schools and universities, public hospitals, etc.). Fearing adverse electoral consequences, governments across the Western world have thus shown a proclivity in recent decades to increase taxes, an outcome that tends to advance the interests of the public sector at the private sector's expense. Reflecting this trend, the ratio of taxes to Gross Domestic Product (GDP) across the OECD reached an unprecedented peak in 2016. On average, a sum equivalent to 34.4% of national wealth was extracted from the populace and the private sector in the way of taxes (OECD 2019a: 1). When academics such as Wisman (▶ Chap. 43, "Why did the Great Recession Fail to Produce a *New* New Deal in the USA?") therefore argue against "tax cuts," "cuts in welfare," and "deregulation," we see a happy confluence of genuinely held belief and public-sector self-interest, an outcome that is the exact mirror opposite of the "neo-liberal" argument that tax cuts and less regulation favor the private sector.

If, in the *public sector*, concerns relating to economics, productivity, and profitability can be safely foregone in favor of discourses about power and "neo-liberal" ideology, such matters are less easily overlooked in the private sector, an area of the economy that still employs the great bulk of the workforce. If you are a factory worker, for example, you will probably share the view that greater productivity and profitability are good things, making your continued employment more rather than less likely. Conversely, you are also likely to view falling productivity as a bad thing, likely to lead to a decline in real wages.

Certainly, if we look beyond matters relating to union survival and growth to the wider employment problems of our society, there is just reason to be worried about matters relating to productivity and economic growth. As I (Bowden 2018: 278–279) have noted previously, since 2000 the global economy has suffered from a marked slowdown in productivity (see Fig. 11). Whereas prior to 2000 the world's advanced economies boasted total factor productivity growth rates of 1.5% per annum, between 2000 and 2008 the rate of productivity growth averaged only 0.8% per annum. Since 2008, increases in productivity have slowed even further, often slipping into negative territory. Unsurprisingly, as Fig. 12 indicates, real wage growth across the world's advanced economies has mirrored the downward trend that has characterized productivity. Unable to secure real wage gains in an economy that barely grew in per capita terms many households suffered a range of adverse circumstances: increased indebtedness, a greater likelihood of homelessness, a more precarious job situation. Reflective of this retrograde trend, household indebtedness in the world's advanced economies has risen from – on average – 45.37% of GDP in 2000 to 63.93% of GDP in December 2016. Significantly, the crisis of falling productivity, and hence stagnant or declining real GDP per capita, is not only a

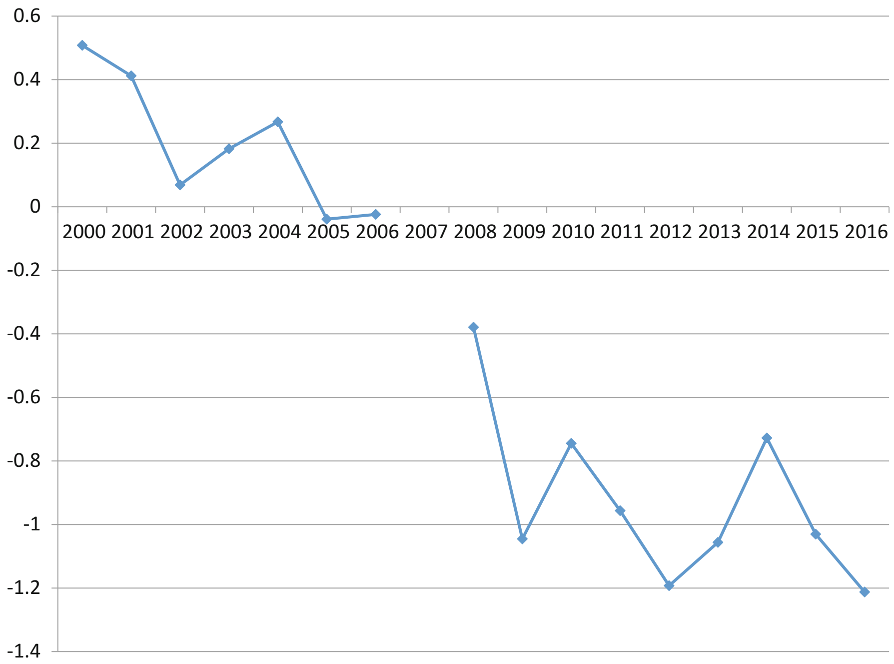

Fig. 11 Annual total productivity growth in percent: Advanced economies, 2000–2016 (2007 = index of 100). (Source: International Monetary Fund, World Economic Outlook, October 2017b, Annex Fig. 2.2.3)

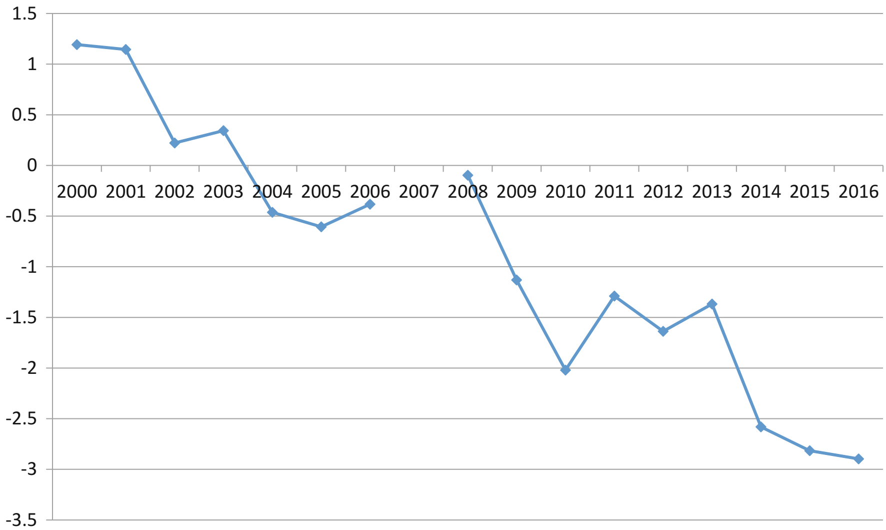

Fig. 12 Changes in annual median wage growth in percent: Advanced economies, 2000–2016 (2007 = index of 100). (Source: International Monetary Fund, World Economic Outlook, October 2017, Annex Fig. 2.2)

problem of advanced economies. It is also manifest in developing economies, where annual productivity growth has more than halved since the Global Financial Crisis, falling from an average of 1.7% prior to the recession to barely 0.7% in the years after the economic crisis (International Monetary Fund 2017a).

If I had, therefore, to identify the principal employment relations problem in the modern world, I would not give pride of place to trade union decline. Since the mid-1990s, unions have maintained only a marginal presence among low-paid service workers and medium-paid blue-collar workers. It is difficult to see the restoration of this long lost presence. Such weaknesses, moreover, do not threaten the long-term survival of trade unions. Indeed, to cite Sidney and Beatrice Webb (1902: xxvii), unions are "a State within our State," boasting their own bureaucratic apparatus and political apparatchiks. Firmly ensconced among public sector workers, and professionals employed in education and health, unions will remain a significant social force into the foreseeable future. Nor would I identify social inequality as the principal problem. There is a considerable difference between inequality in a poor, preindustrial society and that found in modern liberal democracies. As we have noted previously, there is little evidence that the welfare state with its protective safety net is under threat. Rather than decreasing, the percentage of national GDP allocated to public social expenditure is approaching record highs in most OECD countries, averaging slightly more than 20% of GDP. It is also a mistake to believe that the United States is a particular laggard in this regard. Its expenditures as a share of GDP are not only close to the OECD, they are also superior to those of Australia and Canada. United States expenditures on social programs, measured as a share of GDP, are also more than double that obtained in 1960. In 2019, expenditures were also approximately 50% higher than in 1990 (OECD 2019b).

What principally concerns me is the apparent loss of economic dynamism across virtually all advanced societies, a problem that manifests itself in the declining levels of productivity and real wage growth that we identified in Figs. 11 and 12. Such problems have the most severe effect on younger workers yet to gain a secure foothold in the workforce, and poorer workers in the private sector for whom an increase in real wages is typically a more pressing concern than abstract notions of social inequality unrelated to immediate financial benefit.

How can labor relations scholarship and, more particularly, management history, contribute to problems relating to slowing economic growth, lower levels of productivity, and stagnant or declining real wages? In confronting this problem, we need to recognize that the solutions offered by industrial relations academics in the 1970s and 1980s (i.e., Kochan et al. 1986/1988; Sabel 1982; Piore and Sabel 1984, etc.) have little modern relevance, at least in the private sector. As the American labor law specialist, Raymond Holger (2016: 142) recently noted with regret, "the collective bargaining model has run its course." Nevertheless, despite the disappearance of historic patterns of employee representation built around trade unionism, it remains the case that the "human problem" remains core to any long-term improvements in productivity and societal wealth. For, throughout history, even during what we think of as the Industrial Revolution, ingenuity in the organization of work has typically been more important than any productivity-enhancement that resulted from new technologies. Moreover, ingenuity in the organization of work has always come down to relationships between workers and management. One also does not need to be a Marxist to recognize that employers and workers have distinct and different interests, and that in liberal democracies it is only possible to achieve long-term gains in workplace relations by respecting these differences. As the noted management theorist, Chester Barnard (1936: 88) observed during the Great Depression of the 1930s, "Strictly speaking," organizational objectives have "no meaning for the individual." In other words, although employee interests may be compatible with those of the employer, they are never identical. Historically, this difference in interests has resulted in either industrial conflict or (more commonly) employee disengagement. Writing in the 1930s, Elton Mayo (1933: 165, 172) lamented how modern workplaces were often characterized by "social disorganization," "personal maladjustment," and a sense of "personal futility." Similarly, in the mid-1970s, High Clegg (1975: 316) expressed concern as to the "competitive greed" of both workers and employers, a problem he likened to "a disease." Today, few of us would contradict Godard's ► Chap. 41, "Labor and Employment Practices: The Rise and Fall of the New Managerialism" update as per style conclusion in his chapter in this *Palgrave Handbook of Management History* that workplaces "face a 'crisis' of engagement," characterized by "low levels of loyalty" and "commitment."

If the problems of productivity, commitment, and engagement are age-old – ones typically confronted by every generation, albeit in different guises – then it is likely that the solutions to modern problems will also share commonalities with past remedies. Both Holger (2016) and Bruce Kaufman (2003, 2008) argue for a return to the system of nonunion representation advocated by John D. Rockefeller, Jr., in the early twentieth century. For in Rockefeller's (1916: 19) estimation, "the soundest industrial policy is that which has constantly in mind the welfare of the employees as well as the making of profits," a policy that Rockefeller associated with "internal bargaining between management and [non-union] worker representatives elected through secret ballot." While there is merit in Kaufman and Holger's proposal, one also suspects that its take-up will be limited. Even more than in the 1920s, there will be a lurking fear among nonunion firms that elected systems of employee representation will act as a Trojan horse through which unionism will re-enter the workplace. What other alternatives are there? My colleague and co-editor, Jeff Muldoon, is a great believer in the continued relevance of Elton Mayo's research into the "human problem" that has always existed at the core of any managerial system. As he argues in his chapter in this *Palgrave Handbook* (▶ Chap. 23, "Spontaneity Is the Spice of Management: Elton Mayo's Hunt for Cooperation"), the great value of Mayo's work is that it looks at "the whole situation" in seeking to foster workplace cooperation, perceiving workers as individuals who seek a complex mix of extrinsic and intrinsic benefits from their job. What is also clear is that not only are problems of employee engagement central to the revitalization of the economy, productivity, and real wages, but that trade unions – now a distinctly minority force in the private sector – will only play a modest role in the necessary process of employee-management re-engagement.

Conclusion

As is the case with many other people, the process of union decline and transformation is for me not only a matter of professional inquiry. It is also intensely personal. My father, a truck driver, served for more than two decades on the Branch Committee of Management of the Transport Workers Union, the Australian equivalent of the International Brotherhood of Teamsters. My mother, a telephonist, served as honorary President of her union, the Australian Telephone and Phonogram Officers Association. Between February 1980 and July 1988, I was a member of one of world's most militant unions, the communist-dominated Seamen's Union of Australia, serving both on and below deck as a rank-and-file seafarer. When, after leaving seafaring, I did my PhD at the University of Wollongong, I studied with the support of a scholarship provided by the Transport Workers Union. A modified version of my PhD thesis, *Driving Force: The History of the Transport Workers Union of Australia, 1883–1992*, was my first significant publication (Bowden 1993). In subsequent years I completed the commissioned histories of two other unions (Bowden 1996, 2008). When I obtained my first permanent academic job at Griffith University, my principal job in 1995 and 1996 was to head a research project into workplace relations in the Queensland coal industry. In the mid-1990s, as is the case today, the coal industry provided the backbone of the state's economy. In 2018–2019, for example, Queensland exported a record 224 million tonnes of coal, almost all of which is high-value metallurgical coal used in steelmaking. Not only is coal the largest single source of foreign exchange earnings in Australia, it is also the case that Queensland exports a greater volume of metallurgical coal than any other region or nation on the planet. Among Australian workers, few have been more stalwart supporters of organized labor than Queensland's coal miners. Between 1944 and 1949, the coalmining vote helped elect the communist lawyer, Fred Patterson, to the Queensland Parliament, the only time a communist was elected to an Australian parliament. When I researched the industry in the mid-1990s, often staying at Dysart in Queensland's Central Highlands, an estimated 75.5% of the coal-mining workforce was unionized. At Dysart, where unionism pervaded every pore of community life, I suspect that union density was close to 100% when I stayed there. At election time, an overwhelming majority voted Labor. As late as 2007, 71.4% of the Dysart electorate voted for the Labor Party (Australian Electoral Commission 2007).

If in the mid-1990s, Dysart was the embodiment of union strength and solidarity, by 2019 it exemplified the deep divisions that have emerged within organized labor, a movement increasingly dominated by urban professionals whose goals and aspirations are profoundly at odds with "traditional" unionists in mining, forestry, power generation, and primary metal processing. For by the time of the May 2019 election the most divisive issue in Australian politics was a new mega-coal project, the so-called Adani mine, adjacent to the existing coal mining town of Clermont, some 100 km from Dysart. For the union representing coal miners, the Construction Forestry Mining & Energy Union (CFMEU), the Adani mine opened up the prospect of tens of thousands of additional unionized jobs, not only at Adani but also at other mines likely to follow its lead into a hitherto unexploited coalfield. Among unions associated with urban professionals, however, opposition to Adani was almost universal. In an article entitled "Adani v Workers: Which Side are You On?" Colin Long (2018: 1–2), the long-serving Victorian Secretary of the National Tertiary Education Union (i.e., the union that covers academic staff) declared, "the movement to stop Adani's Carmichael coalmine" was "of generational significance." Calling for the total cessation of coal mining, Long (2018: 1–2) – who in late 2018 became President of the Victorian Trades Hall Council – declared that every worker and unionist had to decide whether they were "on the side of . . . a future free of environmental devastation" or, alternatively, on the side of "those who support Adani's mine." In the run-up to the federal election, Australia's Green Party organized a 5000 km protest caravan, which took the anti-Adani campaign into the heart of the coalmining districts, terminating in a mass protest at Clermont; a caravan that attracted a counter-protest movement of irate coal miners. In articulating pro-Adani sentiments, the CFMEU's National President, Tony Maher (2019: 3) declared the anti-Adani caravan to be "vainglorious," "absurd," and "deeply traumatizing and polarizing" to "hundreds of thousands" of Queensland workers and their families. When the Australian nation voted in May 2019, the polarizing effect of Adani and climate change became obvious. In the inner city electorates of Melbourne and Sydney, both the Labor Party and the Greens increased their vote. In regional Queensland, Labor was wiped out, losing 25 of the state's 30 electorates. Of the five Queensland electorates that Labor managed to win, all were in the metropolitan capital, Brisbane, and its urban environs. In Dysart, only 26% voted Labor. Almost 40% of Dysart residents voted for a number of populist, nationalist parties (One Nation, United Australia Party, Katter's

Australia Party, Fraser Anning's Conservative National Party), before giving their decisive preference vote to the conservative Liberal National Party. In Clermont, the coalmining town at the epicenter of the anti-Adani protests, only 7.94% voted Labor (Australian Electoral Commission 2019). Alienated from the dominant, urbanized voices in both the Labor Party and the wider union movement, coalmining towns such as Clermont and Dysart are today far removed from the communities among whom I stayed in 1995 and 1996. Union density in coal mining has slipped from 75.5% to less than 38% (Bowden and Barry 2015). Metropolitan unionists and their environmental allies are regarded with suspicion, if not hatred.

The alienation of coal workers and unionists in Dysart from the wider labor movement is hardly unique. It is replicated in the coal mining towns of West Virginia, the steel towns of Indiana and the working class districts of northern England. The all-too evident divisions that now exist between "traditional" blue-collar workers and lower-paid service workers on the one side, and the professionals and skilled workers employed in public administration, education and health on the other, points to a fundamental but easily overlooked fact. The profound process of sociological transformation that has characterized Western societies during the last 70 years has not only resulted in a process of union decline. It has also brought about a transformation of unionism, a process of change that has produced – and will continue to produce – unions and union activists with very different concerns and interests to those of yesteryear. Increasingly, unions focus with ever greater intensity on those issues that Simon Mollan (2019: 513) identifies as being worthy of primary interest: – "postmodernist concerns with power and its distribution . . . inequality and discrimination in work, pay, and advancement based on gender, ethnicity, race, or sexuality." Ideologically opposed to jobs in mining and energy-intensive industries in manufacturing, union activists drawn from professional and semi-professional occupations are also little concerned with the prosaic issues of productivity enhancement that concerned union officials in the 1970s and 1980s. Thus, as the fissures *within* the ranks of organized labor become ever wider, the survival of unions outside of a comparatively small section of the workforce looks increasingly precarious. This leaves a fundamental question: to whom do traditional blue-collar workers, and poor private-sector service workers, concerned with prosaic bread-and-butter issues, now look to for leadership?

Cross-References

- ► A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
- ► Conclusion: Management Theory in Crisis
- ► Industrial Relations in the "Golden Age" in the UK and the USA, 1945–1980
- ► Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era
- ► Labor and Employment Practices: The Rise and Fall of the New Managerialism
- ► Management History in the Modern World: An Overview

▶ The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
▶ To the Tavistock Institute: British Management in the Early Twentieth Century
▶ What Is Management?
▶ Why Did the Great Recession Fail to Produce a *New* New Deal in the USA?

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The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch

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Kathleen Marshall Park

Contents

Abstract

This analysis interprets a shift in executive thinking amidst the increasing electronic communication, information abundance, and cyber interconnections of the global digital economy and pandemic. The shift concerns the paradox of a potentially intensifying decline in effective and appropriate managerial action and ethical awareness alongside escalating electronic input from stakeholders worldwide. As leaders of globally impactful companies or countries confront the

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dilemma of increased information and interconnection from various sources, in tandem with an increased insularity from the daily challenges of consumer experiences, difficulties ensue due to leadership disconnection from individual stakeholders, organizational objectives, and global health, safety, and wellness imperatives. The following analysis highlights an often increasingly narrow focus in management thinking and priorities in an age of multiple crises.

Keywords

Digital economy · Digital revolution · Internet era · Information age · Technology leadership · Information overabundance · Cyber interconnections · Social media · Inequality · Insularity · Management ethics · Strategic action · COVID-19 · Pandemic · Digital divide

Introduction

Digitally available sources of information and means of interconnection currently abound. In the midst of these influence leadership, as always, has been a topic of considerable attention and debate. Crises continue to recur. Yet it has not been clear if the increasing abundance of information and profusion of interconnectivity – and the ubiquity of various forms of crises – have resulted in more ethical, effective, and appropriate courses of leadership action in the competitive global digital economy. The present analysis examines a shift in executive leadership and management thinking. The shift concerns the paradox of increasing digital interconnections juxtaposed against potentially decreasing ethical awareness and decreasing strategically efficacious efforts by corporate leadership. Corporate leaders can arguably more and more be found to demonstrate tendencies toward being isolated and uninformed despite the barrage of social media, digital communications, and frequent incursions of business news – both factual and sensationalist – into daily life. The Internet/digital/sharing/experience/connection/innovation/global/gig economy has meant increased digitization, technology firms with massive power (Ovide 2020), market capitalizations (Mueller et al. 2017), and multiple new platform business models and online interconnections (Desjardins et al. 2016). This multifaceted economy has also corresponded to increased distance and disaffection between corporate top leadership and global stakeholders, if stakeholder engagement is not managed effectively and with a consistent emphasis on social responsibility (Park et al. 2019). The present analysis first considers some specific exemplars of highly visible corporate leaders confronting challenging situations ranging from quotidian yet widespread vexations to a more far-reaching type of global conundrum (Reeves et al. 2020). The analysis subsequently looks more broadly at leadership challenges in the digital and pandemic epoch, where technology can strengthen leaders and firms while sometimes also endangering individual privacy rights and providing an inadequate informational bulwark and insufficient work-and-study-from-home conditions in times of widespread infectious disease. In conclusion our exploration turns to reflections on corporate leadership evolution amidst digital directions.

Interconnected Yet Isolated and Uninformed?

The modern executive has an unprecedented level of access to information as well as to input from multiple levels of the organization and from stakeholders in the surrounding business environment (Roetzel 2019). The multilayered information inflow occurs through assorted modalities and platforms commonly accessible in the digital economy (Hemp 2009). In the prevailing hierarchies and physical distancing realities, the modern executive has become even further isolated from daily life situations as experienced by those at lower levels inside or outside the organization (Pazzanese 2016). This isolation occurs economically, psychologically, and strategically. Although these concerns are ongoing (Freeman 1996), they have intensified in recent years in tandem with increasing information flows (Marques and Batista 2017) and a pandemic crisis. Compelling examples of 21st century corporate isolation can be found in Elon Musk (Tesla), Mark Zuckerberg (Facebook), and Donald Trump (The Trump Organization) – to associate each of these corporate leaders, entrepreneurs, and, in various ways, transformers, with in some cases just one of their many business endeavors. We argue here for the simultaneous occurrence of digital interconnectedness and multiple forms of market awareness, on the one hand, and disaffection with and isolation from essential realities and effective actions, on the other hand. We propose that the executive interconnectedness and awareness become juxtaposed against a purposeful isolation as a form of executive protection. The isolation serves as protection against bombardment from undesired information – ranging from distracting "noise" to anything contrary to the desired worldview – and lower echelon disillusionment with upper echelons due, for instance, to increasing income polarization. This analysis examines the economic, psychological, and strategic dimensions of modern executive isolation, not as a uniform or universal phenomenon among all business leaders but rather as emblematic of key experiences in the modern digital economic era and pandemic epoch.

The phenomenon of the isolated executive has also become interrelated with the rise of the celebrity executive (Lovelace et al. 2018) and businessperson-as-politician phenomena (Gould et al. 2017), further underscoring that being a network node and in the social media vanguard does not equate with an intensive level of being usefully informed and orientated toward value creation. Such disconnections also have the potential to adversely impact shareholder value or other forms of social or environmental value added by the firm. These issues can arise as part of peak organizational or individual performance as well during performance crises (Hemp and Stewart 2004).

In examining the central themes of being interconnected, isolated, and uninformed, we look at each of the exemplar executives in turn. The central themes are situated against a backdrop of popular maneuvers and cycles within business strategy, such as the occurrence of waves of mergers and acquisitions propelling new business leadership toward heights of both strategic accomplishment and sometimes individual excess (Park 2012). For instance, we are presently in what has been described as the seventh acquisitions wave – and the third acquisitions wave of the globalization era – calling on business leaders to demonstrate an often perplexing combination of both innovative management and protective actions (Park and Gould 2017). The seventh acquisitions wave coincides with the proliferation of information in the digital economic era. Specific events and challenges seemingly unique to each of our exemplar executives further illustrate common themes and lessons concerning the reconciliation of information overload and effective action. We look at Musk, Zuckerberg, and Trump, in turn, as each encounters and resolves – or fails to resolve – leadership and management crises within the broader digital business, economic, and pandemic context of their dilemmas.

Tesla: Mall World Meets Green Energy – Upscale Transport and Technological Innovation in the Automobile Industry

Elon Musk is one of the three exemplars of a digitally interconnected yet arguably strategically, economically, and psychologically disconnected corporate CEO or political leader. Musk presents in worldwide media outlets as a respected, highly visible, hugely financially successful, serial entrepreneur, who has been involved in the founding of numerous companies including PayPal, Tesla, and SpaceX (Baggaley 2018). His digital image and fame have transcended those of virtually as all the other founders of firms in industries where he has a presence (Assis and Shaw 2018). An active cyber communicator, he has over 30 million followers on Twitter, with the number still increasing (Trackalytics 2019). He has repeatedly demonstrated that he knows how to use – and some would say abuse – his social media power (Wheeler 2018). He is not alone among the exemplars showcased in his ability to use social media massively to his advantage.

Affirming the breadth and efficacy of his digital interconnectedness in the form of his millions of followers, Musk has shown no reluctance to engage repeatedly – on seemingly an almost daily basis – with various business and popular media outlets. For instance, whether inadvertently or deliberately, he in July 2018 defamed a rescue diver engaged in a perilous extraction of schoolchildren trapped in an aboveground marine cave in Thailand (Davies 2018). He later retracted these rash musings and apologized. Then, in September 2018, in his attempts to shore up the financial status of Tesla, he prematurely and inappropriately tweeted his plans for the company's privatization (Boudette and Phillips 2018). He subsequently retracted and apologized yet again; but "the tweet that cost him $20 million" resulted in an SEC fine and precipitated his resignation of the chairmanship of Tesla (Telford 2018), gaining him both further infamy and renown. In November 2019 he announced a brief break from Twitter – and returned just days later with even more followers (Trackalytics 2020; Vigdor 2019).

Stripped of the Tesla chairmanship after the inappropriate privatization tweeting during the fall of 2018, Musk continued at Tesla with only the CEO position, in addition to his positions and entrepreneurial pursuits at his other companies (Goldstein 2018). He had already perpetuated his celebrity status to the point that his photo can be widely identified without an accompanying caption and his name needs no qualification as "founder of" or "head of" any organization (Wheeler 2018). Simply the names "Elon" and "Elon Musk" or his widely appearing image on its own generates immediate recognition. Millions of people in the USA and around the world follow his name, his image, his companies, his accomplishments, and even his dating life. Elon Musk the individual/CEO/entrepreneur has become – through electronic media – a digitally enhanced global phenomenon.

Musk's voluminous Twitter output illustrates his conversancy with social media and interest to engage in frequent interaction with his "followers," who may or may not be identical to his employees, shareholders, or broader stakeholders. Notwithstanding his stature and outreach to mount a global social media deluge, Musk has exhibited evidence of a strategic divorcement from the performance realities of at least one of his firms, Tesla, which is worth considering in further detail. During late 2017 through 2018, activist and hedge fund investors began to show signs of unrest and interest to replace Musk in his corporate top leadership position at Tesla due to the long run of negative profits and the riskiness of an over-consolidation of power in the firm (Kopecki 2018). Instead of responding promptly and directly to legitimate strategic performance concerns, Musk continued with his Twitter outbursts unabated. His tweeting of his privatization pipe dream ultimately cost him as much $40 million, due to subsequent fines beyond even the initial $20 million reported (Disparte 2018). As mentioned, Musk had to resign as chairman of the board of Tesla (Mejia 2018) while retaining the still considerable and highly influential responsibilities of CEO (Berger 2018). These types of losses may in one sense humanize him, but in other senses the chairmanship loss and the fine distance him from a spectrum of stakeholders. Through his reported conspicuous consumption and the abundant media coverage of his lavish personal lifestyle – as well as an unrelenting work ethic – he has repeatedly differentiated himself from his generally affluent customer base and loyal global followers (Wood 2014). Although his work ethic and innovativeness could be considered positively, many of his actions exemplify a form of overconfidence consistent with hubris (e.g., Roll 1986), as well as an avid desire for self-promotion and differentiation consistent with the tenets of social identity theory (Bromiley and Rau 2016; Tajfel and Turner 1979).

To their credit, Musk and his fellow founders and colleagues have boldly created a new niche in a relatively traditionalist auto world with the Tesla hybrid vehicles. In a mature and intermittently stagnating industry, the Tesla innovators fueled a momentum not seen since Henry Ford and the Model T (Watts 2005), Ferdinand Porsche and the Volkswagen (Ludvigsen 2009), or the amazing success of the Acura, Infiniti, and Lexus luxury car brands only brief decades after the initial tentative motorcycle manufacturing forays from nuclear-ravaged Japan into global markets (Economist 2014). Whether it is more of an automobile or a battery innovation (McFadden 2018); whether it is due to the mall venues and waiting lists and a calculated absence from the conventional auto advertising and sales techniques (Pruitt 2017); or whether it is the still-startling combination of groundbreaking innovation and breathtaking design (previously the almost exclusive domain of Apple in the technology giant world), Tesla has unquestionably made an impact and established an unprecedented social media outreach in the auto industry (Hawkins 2017). The leadership interconnections with the present, wait-listed, and aspirational consumer base are worldwide, prolific, and strong. Within less than 15 years of its founding, Tesla attained a soaring – although perhaps overstated and ephemeral – market valuation and worldwide brand name recognition requiring up to or over a century by competitors to achieve (Fortune 2017).

Yet the very reasons for the unparalleled interconnectedness of Musk are also giving rise to repeated instances of his own isolation, as can be seen through delving deeper into some of his strategic performance issues. The presently most visible of the many companies of which he has been a founder, Tesla, has, as of this writing, had only four profitable quarters and one overall annual profit – in 2019 (Isidore 2020) – since its publicly traded inception (Harwell 2018) and despite its vaunted market capitalization (Matousek 2018). The founder, Musk, is highly visible; the car is only somewhat less visible and has been appearing more widely starting with increased production rollouts around 2017 and with the 2018 online launch of the more moderately priced Model 3, yet the car still remains an aspirational or entirely unattainable luxury for most consumers (C. Jones 2019). Despite its prized status as environmentally beneficial (or at least not yet known to be harmful), it has been economically (due to price) or practically (due to production levels) out of reach for most car buyers. While Tesla experienced a historic quarter with the 2019 introduction of the Model 3 (Harwell 2018; Wattles 2018), that profitability was not sustained into the next quarter (McCormick 2019), although overall the year ended in the black for the firm. In addition, the most forward-thinking among the environmentally conscious critics have raised questions about the Tesla battery's composition (Westervelt 2016), as well as its longevity and recyclability (Gardiner 2017). Fossil fuels and extractable energy resources are not involved in the rechargeable batteries of Tesla, but the impact of the hard elements present in these long-range batteries winding up in landfill has been a source of concern. The longer-term environmental and health implications of the battery disposal are not yet fully known.

From these perspectives, the isolation of Musk emerges. He has a mass market image but not a mass market product. Tesla the firm has not yet performed consistently in stock price, profitability, or even reputation, as the isolation of the founder simultaneously becomes more apparent. Musk tweeted of IPOs, high-status investment banking, and private equity advisors when none of these relationships or events contractually existed. His imaging, marketing, and social media skills make him widely and deeply interconnected within the digital economy. At the same time, the historically erratic performance of Tesla and Musk's apparent lack of grasp of certain key realities, alongside his own burgeoning personal wealth and hubris, all contribute to his separation and isolation from stakeholder interests and needs and perhaps ultimately even from the leadership of a firm he helped found. He has been perhaps overly concerned with image, brand, and a personal reputation built up through digital interconnection – at the risk of diminishing financial returns and profitability and endangering the chances for a global consumer outreach built at least as much on product performance as on founder personality.

The very strengths that Musk has exhibited as a technology leader and entrepreneur – boldness in thinking, looking to innovative new solutions, willingness to take on and try to defy long odds – have put him on unsettled ground in dealing with the novel coronavirus of 2019, global pandemic (Woodward 2020), which first surfaced near the exotic animal markets of Wuhan, China, in December of that year (Maron 2020). Whether from a business, an innovation, or a philanthropic humanitarian perspective (Higgins 2020), Musk struggled with the pandemic. Accustomed to taking on the long shots and pushing the boundaries of the possible, he initially recklessly downplayed the by now medically and scientifically established risks of the virus, namely, its long incubation period and what has been termed its stealth transmission (Lopez and Matousek 2020). Musk insisted for a month that his factories continue to run (Holmes 2020); continued tweeting voluminously, if not always with clear content and objectives; and committed, waffled over, and then recommitted substantial funds and ventilators toward the treatment of those stricken with the potentially highly dangerous and severe respiratory infection (Coffey 2020). He has also continued to display his innovative characteristics of questioning, networking, and brainstorming (Vance 2017). His approach is not passive (Stewart 2020); it could even sometimes be termed impactful and evolving (Berke and Hartmans 2020); but it demonstrates more of the inchoate thinking of the early-stage innovator and entrepreneur struggling for ideas to coalesce toward viable solutions than of the clear-sighted commander dealing with a sudden and relatively unknown crisis situation.

From the perspective of leadership challenges in the digital era, Elon Musk's futuristic helmsmanship of Tesla, SpaceX, Neuralink, and the literally named Boring Company (for penetrating into the earth for the creation of massive transportation networks), as well as his ownership of Hyperloop, the superfast aboveground transportation brand, has attracted customers, investors, and capitalization. His humanitarian and philanthropic actions in the pandemic, as well as his firms long-term corporate profitability and stock price performance, have been less clear. Global image recognition and millions of Twitter followers do not substitute for a strong business strategy, focused giving, and stakeholder confidence. Musk's track record of risk taking and some positive payoffs, as well as his capabilities for innovation and outreach, can perhaps continue to build areas of strength for him in moving forward in times of crisis.

Facebook: Profiteering in the Information Age

Another of the exemplar CEOs is Mark Zuckerberg, who by the very nature of his central business, Facebook, is highly digitally interconnected and centrally embedded in the social media revolution. Yet he has demonstrated disconnectedness and isolation with respect to ethics, innovation, and what could be termed the seasoned intuition of a battle-hardened corporate strategist. Zuckerberg illustrates additional dimensions of the juxtaposition of interconnectedness with isolation. As CEO of

Facebook, he has been viewed as innovative yet also derivative (Barr 2018), struggling through acquisitions to stay on the leading edge in social media and demonstrating – an again potentially derivative – philanthropy while also exhibiting the challenges of confronting an ethical conundrum. As has now been widely recognized and researched, the Facebook social media phenomenon can be traced back to earlier social media platforms (Arthur 2009) and often complex and conflicted interactions with fellow founders or almost-founders, including Tyler and Cameron Winklevoss and Eduardo Saverin (e.g., Carlson 2012; Kosoff 2016). The Facebook development team interjected new elements increasing the attractiveness of their platform to both extant users of other social media, such as MySpace, and users who had at that point not yet ventured into the online and social media worlds. Additionally, within about 5 years of the Facebook launch in 2004 and IPO in 2012, it became apparent that there were numerous privacy issues and concerns (Senguptanov 2011; Vanian 2018). Initially, Facebook surmounted some of these challenges by introducing further privacy controls and by buying competitors such as Instagram for $1 billion in 2012 and WhatsApp for $19 billion in 2014; the company also purchased assorted smaller and larger firms, including brand-new augmented reality firm Oculus for around $3 billion also in 2014 (Loizos 2017; Toth 2018). The acquisitions count exceeds 75 companies at a cost of over $23 billion and rising (Crunchbase 2019). While Facebook developed a strategy of purging (Barr 2018; Parr 2011; Walden 2011), purchasing (Ramzeen 2019), or dismissing (Jeong 2018) rival founders or firms, Zuckerberg ultimately imperils his own firm and shareholders by pursuing innovation externally through acquisitions and by ignoring social media competitors from emerging markets (Thomas 2018).

The ethical, innovative, and economic disconnections as demonstrated by the Facebook CEO remain (Sanders and Patterson 2019). In the March 2018 post-US presidential election milieu, furor resulted from the disclosure of unwarranted access to personally identifiable information on over 80 million Facebook accounts as a result of data inadvertently or deliberately made available by Facebook to political consulting firm Cambridge Analytica. This firm, Cambridge Analytica, had been hired by the Trump political campaign in 2016 to improve access to amenable or impressionable voters. In the view of many observers and analysts, CEO Zuckerberg could neither adequately defend nor explain the release of such personally identifiable user information to a clearly partisan political consulting firm acting for the Trump campaign as well as other clients (Confessore 2018). Meanwhile Facebook continued shedding users and share value in 2018 while failing to recruit new users as fast as previously (Schneider 2018). The total number of active monthly users continues to climb, but the rate of growth of acquiring new users has consistently fallen particularly among younger demographics (Solon 2018).

While CEO Zuckerberg is the face of a preeminent brand of social media connectivity apparently sanctioning disclosures of user details, he is himself unquestionably protected by his personal wealth and privilege (Frier 2017). While he presides over the brand – Facebook – that heralded the explosion of the global social media phenomenon, he apparently derived rather more inspiration from fellow founders and existing social media than is often acknowledged (Barr 2018). As an apparent icon of innovation, he must now increasingly buy that innovation and usurp the advantages from the competition rather than generating new innovations internally (Parkin 2014). It is not clear how long this strategy can last (Hoium 2018). There is evidence that younger users are increasingly shying away from Facebook (Lang 2015; Sulleyman 2018) in favor of the more recent, innovative, and visual social media such as Snapchat, Twitch (YPulse 2019), and TikTok (Hughes 2020) – although teens also like Instagram and WhatsApp (Moreau 2019), both now owned by Facebook, and reinforcing the point about Facebook buying innovation. As additional risk factors to the waning Facebook social media market dominance, there are ever more offerings from the indefatigable and technologically imperialistic Google (Wagner and Molla 2018); users everywhere express concerns over trust violations and privacy risks (Vanian 2018); and Facebook equivalents from emerging markets tech giants such as Tencent (WeChat) in China and Cardbox in India challenge the global hegemony of a brand previously synonymous with social media (MacBride 2017).

Providing a counterpoint to the strategic blunders, Zuckerberg has ventured into philanthropy. Citing humanitarian concerns – for instance, when he and his wife announced the birth of their first child (Thielman 2015) – he proclaimed his donation of $45 billion in Facebook stock toward using technology for addressing social concerns (Forbes 2017). Rather than creating a charitable foundation, he launched an LLC simultaneously providing himself with substantial tax advantages and far greater latitude in the types of investments that can be made (Eisinger 2015). In essence, the LLC lets him avoid capital gains taxes on stock distributions while not limiting him to strictly philanthropic allocations (Shinal 2017). Zuckerberg seems to lack awareness of the detrimental impact of his token philanthropy, privacy inroads, and innovation appropriation on everyday consumers of social media (The Guardian 2015). As a hyper-wealthy social media mogul in the public eye, he maintains a certain exalted status even as he has come increasingly under fire for his disconnections from stakeholder needs and interests (Entis 2014). Staying attuned to his shareholders and stakeholders may or may not be a strength in his future, as he currently navigates a widening gap between ways in which he has been highly interconnected – through his still massively popular (in terms of sheer numbers of participants) social media platform – and his increasing innovative-ethical-and-economic disconnectedness and isolation (Carman 2017). Author Ben Mezrich has followed Zuckerberg and Facebook for over a decade (Mezrich 2009), and he writes (Mezrich 2019: P1): “From the very beginning, Zuckerberg has shown a pattern of deflecting and discarding things and people that don’t conform to his worldview or his ambition.” This worldview Mezrich identifies as rooted in repeated betrayals of consumer privacy in pursuit of a business model based on connectivity, where privacy would counteract deep interconnectivity and consequently also profitability. As mentioned, those betrayals have been costly to the firm with continuing reverberations (Isaac and Singer 2019).

There are also interesting interconnections with leadership challenges in the digital economy in the sense of what happens with purported stock market efficiencies – and efficient markets have been upheld as a theoretical ideal for decades – combined with rapid response times in the digital economy. Specifically, when

Facebook encountered – and was alleged to have been involved in – breaches of data and therefore breaches in customer security in March 2018 (Rosenberg et al. 2018), confidence in the senior leadership plummeted (Cadwalladr 2018) and stock prices plunged (Shen 2018). What remains difficult to understand is how both seemingly rebounded, as Zuckerberg and other Facebook top management at least initially were able to reassure analysts and investors – as well as the larger public – that not only had the breaches been addressed but that there would be newer/better/faster/systems implemented to block any such future attempts. After the precipitous plunge, the stock price resurged by May 2018 (Bhardwaj 2018), and the future again looked positive for both the iconic entrepreneurial CEO and the firm. However, if there is one characteristic that is true for top corporate management in the digital economy, it is that nothing stands still. While dinosaurs ruled for millennia, top corporate leaders, also at the top of their metaphorical food chains, typically measure their intervals of dominance in months (CBS 2018).

If the digital economy can mean rapid losses and rapid rejuvenation, it also means rapid losses again. Facebook stock prices rebounded within a few months of the Cambridge Analytica revelations (Mirhaydari 2018) but massively fell by July 2018, as the firm missed projected user increases (Neate 2018) and ended 2018 with undeniable net losses (Rodriguez 2018). In continuation of the privacy and reputational difficulties and in further reification of the financial implications, Facebook in July 2019 received a record-setting $5 billion fine from the FTC for mishandling private consumer data (Fair 2019; Romm 2019). Many industry observers and analysts expressed sentiments that the fine did not go far enough, in part because it did not require acknowledgment by Facebook of intentionality or of any harm resulting to consumers from disclosures of their private data (EPIC 2019; Newcomb 2018; Statt 2019).

If the profiteering and privacy incursions have been issues, the COVID-19 coronavirus has offered something of an opportunity for redemption, or at least for providing further information, if not misinformation, for Zuckerberg and Facebook (Chang and Clegg 2020). Like millions across the USA and around the world, Zuckerberg has been, in his words, housebound, although understandably the term has a somewhat different meaning at billionaire status (Dwoskin 2020). However, the billions have come in handy toward image rehabilitation and redemption, as the Chan Zuckerberg Initiative – the abovementioned flexible philanthropic vehicle founded by Zuckerberg and his wife Priscilla Chan after the birth of their first child (Eisinger 2015) – has dedicated dollars to fighting disease (Shieber 2020). Yet the Facebook algorithms, web server support, and interlocking structure of the social media forum create a tendency toward system overload and misinformation propagation that perhaps cannot be entirely overcome (Paul 2020). In addition, Facebook struggles to deal – in both technology and psychology – with the volume of depressed outpourings from individuals housebound in more straightened circumstances (Newton 2020). It is not clear if the social media platform has the technological or empathetic depth to handle this volume (Durkee 2020). It could come in handy that Zuckerberg's declared concentration – major – at Harvard

(Little 2016), before he left midway through his undergraduate experience, was not computer science but psychology (Barrie 2015; Sanders and Patterson 2019).

Rapid flows of information in the digital epoch are not necessarily about in-depth assimilation of and reflection on that information, but rather about speedy processing, rapid decision-making, and moving quickly on to the next. Facebook has been undeniably fast in ascent (Martineau and Matsakis 2019) and fast in certain aspects of its COVID-19 response (Rodriguez 2020), but whether it has been *right* and just are questions open to interpretation. Where corporate ethicists and even economists have asserted the primacy of *values*-centered leadership (Arrow 1951), Jeff Bezos – founder and leader of tech colossus Amazon – has gone on record to say that he likes to promote leaders and executives who can admit when and where they are wrong (Stillman 2018) but who also have the track record of being predominantly *right* (Welch and Ward 2017). With Bezos as with legendary technology innovator and leader Steve Jobs, *right* exists as a dynamic construct to be repeatedly tested, proved, and improved in the maelstrom of information flows complicating the discernment of clear trends and exalting those with repeatedly revenue-producing insights (Glazer 2018). Stumbling too frequently or dramatically, as Musk and Zuckerberg have both already done and as we will see even further with upcoming exemplar Trump, complicates establishing a legacy of technological, strategic, and also humanitarian success. The digital economy and the challenges of the pandemic have meant abundant, electronic, swiftly accessible information – as well as online interconnections with and viewpoints from millions of stakeholders worldwide – but all leading into decisions made seemingly no less on the bases of hunches and imperfect information now than in preceding eras.

Trump: Not Just an Individual but an Entire Organization

With respect to the previous point of having a seasoned and battle-hardened strategic intuition, our final exemplar occupies an intriguing position as a businessperson politician. By way of background, we examine some upheavals encountered by Donald Trump in his presidency. We further explore his robust stream of social media communications in the context of his economic, psychological, and strategic isolation, counterbalanced by lingering stalwart support.

Donald Trump experienced a turbulent start to his presidency. Heir to and head of the Trump family fortune – known as the Trump Organization – bequeathed to him by his father, he pulled off a stunning political upset in 2016 to attain the highest elected office in the USA. Two years into his term in office, Trump intersected with the Facebook leadership privacy violations, when Zuckerberg was called in 2018 to testify before the US House and Senate due to Facebook user data obtained and unmasked by consulting firm Cambridge Analytica to boost the Trump political campaign prospects (Cadwalladr 2018; Rosenberg et al. 2018). The next year, in 2019, he became enmeshed in impeachment proceedings in the US Congress due to allegations and increasing evidence (Sevastopulo 2019) of his having inappropriately pressured the president of Ukraine to besmirch the standing of former US vice president Joe Biden, a then Trump presidential rival and forthcoming presidential contender (Fedor 2019). Based on similarities to the infamous US Watergate scandal in the 1970s, the pressuring actions have been dubbed "Ukrainegate" and have echoed internationally with adverse consequences for Trump's global reputation (Sevastopulo et al. 2019). Strong partisan lines and deeply held loyalties suggest that the impeachment, regardless of documented evidence or official outcomes, will remain to some extent an irresolvable conundrum on perceptions of wrongdoing.

Born at the start of the US "baby boom" era in 1946, well before the digital revolution, Trump has nevertheless responded to the impeachment proceedings and to previous issues with the social media élan of a much younger millennium-era technology user. Even as numerous individuals testified in high-visibility sessions before Congress, Trump – demonstrating a social media verve bordering on obsession – was simultaneously tweeting ad hominem rebuttals in flawed refutation of already documented credentials and events (P. Baker 2019). Trump has shown himself to be highly adept in his use of social media. Victor in a pyrrhic election and perhaps cognizant of the risks of his position, he has been from the start engaged in Twitter-based outreach with constituents to an extraordinary degree (Jones 2015). These outbursts, among other factors, have been taken in evidence of a degree of overconfidence and self-absorption differentiating Trump from many individuals while also giving him commonality with previous ephemerally powerful and charismatic leaders (Braun 2017; Schyns et al. 2019). His differentiation, which becomes a form of psychological isolation, has also been described as extreme narcissism (e.g., Galvin et al. 2015; Grijalva and Harms 2014). Perhaps not surprisingly given the social media floods and multiple issues, factual and counterfactual contestations, the Trump administration has suffered astonishing internal turmoil and staff departures (Shubber 2019; Tenpas 2019). The imputed levels of presidential narcissism have been implicated in the unusually high levels of Executive Office turnover (Lu and Yourish 2019). Narcissism can produce or reflect a sense of grandiosity and can momentarily inspire followers even while ultimately separating leaders from their realm of influence (Chatterjee and Hambrick 2007; Conway 2019).

Beyond this psychological isolation, we look next at his economic isolation. As a wealthy individual from a wealthy family, Donald Trump has led a relatively insulated life. Nevertheless, he has developed a surprising depth of insight into the lowest common denominators of the mass market psyche and national concerns about economic development, global competitiveness, and personal reassurances for advancement. Perhaps part of this insight stems from stories from the maternal side of the experience of his mother, Mary Anne MacLeod Trump, who was raised in the impoverished setting of an Isle of Lewis croft in Scotland and who worked for several years as a domestic servant in the household of Louise Whitfield Carnegie after initially emigrating from Scotland to the USA (Burleigh 2017; Pilon 2016; Sebak 2018). Donald Trump's Make America Great Again campaign stems at least partly from a broad-based economic malaise, as US consumers have become frightened by job losses and declining real incomes (Stein and Van Damm 2018). While the USA remains the top global economic power in terms of nominal GDP, the USA cedes the first-place ranking to China when GDP becomes adjusted for purchase power parity (Focus Economics 2017). The USA falls even further down the economic rankings in terms of *rate* of economic growth and present as well as predicted contributions to the global economy, compared to the projected ascendancy of the emerging markets (IMF 2017). More recently, global economic shocks such as currency depreciations and trade wars have weakened growth projections from emerging markets while also suggesting the unsustainability of present growth rates in the US economy (Giles 2018).

As president of the USA, Trump has favored tax incentives and policies benefiting the upper half of the top 1% of the income distribution in the country (Stewart 2018). Yet he has maintained the allegiance of many – particularly white female blue collar (Kim 2019), as well as white male blue collar or working-class voters (Lombardo 2018; McAdams 2019). Ironically, in a previous generation, this cohort of voters would typically have been members of another political party and unionized. Trump has bridged the economic isolation of his wealth through an uncanny boundary spanning across the extremes of socioeconomic status. Still, his actions have not always matched his talk. For instance, his reported treatment of undocumented Polish workers building Trump Tower in the 1980s evoked much criticism with respect to secrecy around rule breaking, promises betrayed, and wages unpaid (Bagli 2017). This incident, among others, encapsulated his paradoxical but inherently antithetical intertwining of elite status and common touch (Wigglesworth 2017). He has seemed as if he could combine being both "elite" and relating to "everyman," yet this type of dichotomy cannot be sustained indefinitely (Lubit 2002).

His economic isolation extended to a scientific and intellectual isolation in his failure to respond promptly and effectively to the COVID-19 coronavirus, a subset of the sudden acute respiratory syndrome category of viruses, pandemic (Ho and Dajose 2020). Trump failed to grasp already then widely available data and analytics indicating a super-exponential rate of spread of the highly transmissible virus, and he likewise failed to proactively urge availability of the antibody tests already established as effective in the China, South Korea, and European locations of the earlier penetration of the virus (Abutaleb et al. 2020). In addition, he incorporated elements of xenophobia and hate-mongering into his rhetoric of verbal offense against mainland China (Weiner 2020) while strikingly omitting – until the virus reached a true crisis level in the USA – mention of testing and containing measures the aforementioned countries had found effective in combatting the virus. His scientific and intellectual isolationism and deliberate avoidance of hard truths, in addition to previous issues and transgressions, reinforced an image of the US presidency as social media-inclined, science-averse, and in some manner a laughingstock and buffoon as infection rates in the USA quickly surpassed those reported in China (Pilkington & Pengelly 2020). The delays exacerbated the already flourishing "digital divide" (NTIA 1998; OECD 2000; UNCTAD 2019) – the severely limited access to wired, mobile, Internet, and various other technological resources and the information available from those resources (Roberts 2019) –

experienced by up to 30% of the US population (Schumacher and Kent 2020), including many children (Vick, 2017), as well as over one billion globally, principally the socioeconomically disadvantaged and in emerging market economies (Silver et al. 2019). When quarantine and containment measures finally went into effect in the USA and sent multitudes home to conduct their lives online, many did not have the requisite online access to continue with work, educational, and personal connectivity pursuits (Finley 2020). For the millions in the USA on the wrong side of the digital divide, the delayed responses to COVID-19 have meant not only income deprivation, physical distancing, and sheltering in place but also a scarcity of information, entertainment, and socialization while isolated at home with an inadequate supply of digital devices or insufficient access to Internet connectivity (Ovide and Crawford 2020).

Finally, in the sense of strategic isolation, Trump has been many times mentioned as a successful businessperson and entrepreneur, who forged his own path despite his fortunate wealthy origins. Yet it has also been asserted, with appropriate numerical calculations, that he would have been just as wealthy today not owing to his strategic insights and business acumen but simply by having invested his inherited wealth in an index fund (Levine 2015). If his strategic business sense has not been his key competitive advantage, what did propel Trump forward in the building industry, into the public consciousness, and ultimately into the presidential seat? Although in many respects – economically, psychologically, and strategically – isolated and disconnected, Trump has, as noted, remained in fundamental ways interconnected with his core constituency. This paradox reinforces the juxtaposition of interconnectedness and isolation alongside the rewards that can be reaped from social media outreach on pivotal issues of constituent concern.

Overall, Trump has been a conundrum. His upbringing, his wealth, and even his political stances have isolated him in many ways both nationally and globally (Poushter and Fagan 2018), yet he has also shown a mass market touch sufficient to have propelled him into the Oval Office (Bickart et al. 2017). He has shrewdly deployed social media for maintaining his core voter support. His late-night and early-morning tweets have shared his thinking with his more than 60 million – and still increasing (Trackalytics 2018) – followers in the social media-savvy digitally interconnected world, bringing him closer and closer to his voters and followers through their frequently consulted electronic devices. Staying attuned to his core supporters has enabled Trump to maintain his form of simultaneous interconnectedness and isolation. Demonstrating allegiance, his Republican supporters in Congress have remained at least initially steadfast and responsive to his anti-impeachment Twitter bombardment (Blow 2019; Savage 2019). Trump has retained many voting loyalists who remain supportive of his platform (Brownstein 2019) and seem to be unconcerned with his extreme self-absorption and often dramatic absence of empathy, remorse, or compassion (Gourguechon 2019). An expedient, highly anticipated and welcomed COVID-19 economic assistance bill has also been helpful to his cause, at least in the short term (Werner et al. 2020), while the scope of the pandemic remained uncertain (Werner and DeBonis 2020). Despite flourishing scandals and accusations and multiple instances of his economic, psychological, and strategic isolation, Trump has found ways to navigate those divides, even if only temporarily.

We now turn from our specific exemplars to examining broader implications for leadership opportunities and challenges in the global digital and pandemic epoch.

Leadership Challenges in the Digital Pandemic Epoch

Leadership has been a topic of enduring interest from ancient (Tzu and Giles 1910) through Renaissance (Machiavelli 1513/1992) and modern times (e.g., Pfeffer 2015; Selznick 1957). Moreover, the close interconnections of leadership, influence, and power have been topics of considerable management scholarship (e.g., Zaleznik 1970). The complexity inherent in the inception and implementation of leadership vision has made these topics difficult to understand (Follett 2004), but known when seen (West 2017). That is, people can often struggle to define the essence of leadership or how to be a good leader, but there can be remarkable agreement on who great leaders are. Likewise there has been attention to the dark side of leadership and to leadership gone awry (Higgs 2009; Lubit 2002). What is different now are phenomena such as the social media frenzy and the global-digital-interconnected-sharing-experience-global-gig economy in an epoch dominated by the Internet and the proliferation of information (Isaacson 2014). Leaders must also contend with longer-standing strategic issues involving power dynamics and the juxtaposition of competition and collaboration to thrive in worldwide markets (Park 2016, 2019). In an age of ever more permeable boundaries and faster communications – between individuals as well as across time and space – what are the implications for the modern executive, managing a global consumer base that in the aggregate never sleeps and that has widely shared interests yet also highly diversified tastes and preferences?

Virtual Worlds and Organizational Directions

Modern executives have become their own avatars of innovation, living in virtual worlds (Kohler et al. 2009) in many ways disconnected from the daily reality of their millions of stakeholders worldwide (Fu 2017). Yet these online, cyber, virtual worlds of carefully managed social media outreach and – avowed or disavowed – celebrity status demonstrate the amazingly rapid scaling up of information dissemination alongside the careful crafting of narratives avowing the enhancement of stakeholder interests and minimization of personal interest (Denning 2011). Such statements of community and stakeholder solidarity, belied by personal fortunes increasing at seemingly exponential levels (Rotman 2014), bring us back to classic dilemmas of managerialism and principal-agent conflicts (Berle and Means 1932), and even more fundamentally to the risks of plutocracy (DeSilver 2018). Rule by the rich – whether by elected political office, by inheritance, or from various social media platforms –

may seem laughable, until it is not (Domhoff 1967). These technology and business leaders, whether they are similar to their images or not, exert real impact in real-world organizations.

The impact of leadership encompasses concerns both inside and outside the organization. Inside the organization, leadership in the digital economy involves challenges such as transforming organizational structures, inspiring new projects and product development teams, and maintaining a frontline position in human capital and talent development (Goldberg 2017; Kluz and Firlej 2016).

Looking across organizational boundaries, leadership challenges in the digital economy center on issues such as evolving and enhancing business models, innovation ecosystems, and value chains (Ritter and Ruggero 2017). Outside the organization, the increasingly global array of stakeholders – customers, suppliers, competitors, analysts, and investors – and factors in the macroeconomic business environment concern and challenge corporate leaders. Structures, systems, and stakeholders, whether internal or external, have each become more complex and differentiated – as well as more agile – in the digital economy, spawning additional issues for leaders who must address simultaneously global- and local-level concerns, multiple online and in-person interactions, and products and services for technologically adroit early adopters as well as more traditional and technologically conservative consumers (Gartner 2017). These multiple concerns are broad yet also can be focused along specific lines of issues such as business models and the changing role of intermediation in the context of ethical and sustainable as well as financially remunerative performance.

Business Models, Intermediation, and the Enduring Importance of Ethical Perspectives

There is a range of leadership-in-the-digital-era considerations around business models and stakeholder concerns. For instance, new forms of platform business models reflect the advancement of the digital revolution and the momentum of the sharing economy (Rietveld et al. 2019). These models link customers and suppliers in new ways providing unprecedented avenues for intermediation. That is, connections among different stakeholder groups or between company and customer are not always direct. Some type of agent or intermediary can help forge a connection, bringing together the customer and the asset (Zhao et al. 2019). Sometimes the assets to be brought to the customers are the leaders themselves, as when corporate boards perform searches to find the best leaders for their organizations (Khurana 2002). In the sociological tradition, intermediation and disintermediation had been viewed as alternatives, with the bridging role acknowledged as sometimes valuable but not necessarily desirable or essential (Simmel 2006). In the earlier days of digital connectivity, preferences leaned toward disintermediation to reduce costs and inefficiencies and to get as close to the customer as possible (Jallat and Capek 2001). Now in the days of intensive digital interconnections, intermediation has become highly valued for quickly mobilizing and allocating resources to customers (Porter and Heppelmann 2014). Those leaders with the vision and acumen to contribute to these new business models and momentum – reaching new customers and making money while also safeguarding concerns such as customer privacy, ethical conduct, and care of the natural environment – win accolades as well as ethical and financial results (Desjardins 2018).

The ethical and related perspectives of corporate citizenship, responsibility, and sustainability are key parts of the global strategic leadership outlook. The profit-making and often environmentally sustaining aspects of the new business models and innovation ecosystems involve technology as well as people and values. Technology facilitates new approaches to long-standing dilemmas in developing new products and services – for which people are willing to pay – and getting them quickly to market. The evolving relationship between work and technology centers on *people* – whether as individuals, teams, and organizations – performing tasks simplified by technology but doing so in the context of an increasingly complex and competitive global business environment (Glenn et al. 2017). Multiple cultures, currencies, climates, and differences in consumer tastes and preferences as well as variations in levels of national economic development must all be taken into account (Ghemawat 2001). The escalation in complexity on several dimensions demands increased leadership attention.

Managing in an Economically, Sociologically, Technologically and Medically Complex Landscape

Business leadership requires comprehension of sociologically, economically, technologically, and even scientifically and medically complex scenarios. While technology provides the infrastructure facilitating communications and connections – and can provide the *appearance* of many more connections being in place – digital outreach does not automatically mean a highly functioning business connection has been formed nor that a fast and effective science-based response can be mounted in times of epidemiologic crisis. We consider first the sociological- and technological-driven connections and then implications in situations of medical complexity.

As an example of technologies in interconnection, LinkedIn, the professional connection platform, will suggest connections and then tell users they are connected; but in fact, a vital next step remains to be completed; the initial "congratulations you have made a connection" represents only an *invitation* to connect extended to the person with whom LinkedIn says you have already "made a connection." The invited party must accept to confirm the connection. Then, at even the next level, the connection should function in various ways to add value to the individuals who are connected. If it is a business connection, adding value nowadays in a business sense would typically mean fulfilling the people, planet, and profits triple bottom line – that is, making money (profits), protecting stakeholders (who are different groups of people affected by your business), and safeguarding the environment (planet). This organizational or corporate multidimensional mission comes to the heart of our purpose in reflecting on dilemmas confronting the modern executive.

To be connected in appearance – to have the digital capability and outreach for interconnection – is not the same as to be connected in ways adding real value for business purposes. The modern executive too often fails to recognize the performance risks of being seemingly interconnected but in reality isolated and uninformed (Baker 1990). In this respect we echo the leadership philosophy of Amazon founder Jeff Bezos. Leadership not only draws on networks, connections, and credentials; it also becomes vitally a question of making "the right" (Welch and Ward 2017) decisions for adding value.

The challenges of leadership in the digital economy also concern millennia-old issues of influence and motivation. Digital capabilities facilitate the translation of innovative ideas into business realities. Digital business strategy and technology strategy fundamentally center on communication and collaboration, rallying organizational incumbents and stakeholders toward an articulated vision. Modern digital strategy and the historic art of influence converge in building and sustaining a leadership innovation and performance momentum. As seen with Musk and Trump, mobilizing digitally on Twitter can be either a form of noise or a form of influence. Sometimes the noise dominates, and the medium overrides the message. Knowing when to reach out for a synchronous voice-to-voice conversation "in real time" or "in real life" – and with key impactful individuals – can mean the difference between success and failure. As taught in management communications classes, "you are your own best visual aid" – meaning you, the authentic person, and the key elements of the message, not just the latest in digital sophistication, are the effective means to demonstrate mastery in communication.

Rallying effectively in times of pandemic crisis represents a problematic and untried arena for most leaders, as pandemics tend to be more broadly spaced and not encountered by the same generations of leadership. Typically, business leaders within a generation will encounter cycles or waves of business volatility, usually not concomitant with occurrences of devastating health consequences. Nevertheless, business cycles or waves and pandemic waves can coincide with sometimes intensive economic impact. The convergence between business cycles and national and global health crises can exert extreme blows to the economy such as in the successive flu pandemics and mortality rates of the early twentieth century, the stock market run-up and then crash of the 1920s, and then the global recession of the 1930s. The argument here is not for strict causation but for the recurring coexistence or close sequence of business, health, and economic events. Digital interconnections and modalities allow us to communicate faster to try to address health issues and economic downturns, but we need to provide tactics and solutions to take advantage of these communications particularly during urgent or emergency-level situations.

Disrupting Practice While Venerating Tradition

Digital workplace automation and business models disrupt established practices yet can be seen to venerate leadership traditions (Feser 2016). Trends in artificial intelligence, blockchain, machine learning, robotics, natural language learning, big data, and data science may contribute to workplace automation and cost reduction. However, these innovations also increase the complexity inherent in business management. The need for an overarching understanding and a clear distillation of vision and mission remain leadership imperatives. Human fears concerning loss of employment, status, and income remain the same. These deep-level concerns must be addressed lest they be forgotten. For instance, new business models in the abstract are generally greeted with approval, particularly by end users experiencing enhanced transportation, travel, dining, real estate location, and accommodation – as well as new ways of finding and staying connected to important people in our lives – and by the companies profiting from these business model, product, and service innovations. But what comes between the people and profits? Workplace automation generates huge fears of job loss. Yet the attractive new business models do not necessarily mean workplace innovation, nor do they necessarily imply ultimate job loss. If job loss or job change is involved, clarity is essential. The aphorism that "businesses do not downsize their way to greatness" can be adapted for the digital economy to mean that "businesses do not automate their way to greatness." Fundamental leadership challenges around exercising power and influence, protecting and improving the lives of followers, and maintaining organizational momentum persist (Heifetz and Linsky 2017).

Technology, Power, and Organizational Context

Technology means the possibility that some or all products or services now desired will transform dramatically in upcoming years. For instance, for all the allure of the new Teslas, will autonomous driving and alternative transportation services at some not-too-distant point in time displace our current conceptions of personal vehicles (Naughton and Welch 2019)? Will Facebook tumble to ever newer, trendier – and perhaps more privacy-preserving – forms of social media? The joy of driving, the joy of connecting, and – for some – the joy of power are part of the fundamental needs and desires to which the exemplar leaders speak and are part of why they continue to have influence and interconnections, although the influence may eventually wane as their connections with consumers and other stakeholders become attenuated through the types of economic, psychological, and strategic disconnections we have examined with our exemplars.

Granted, some types of organizations, particularly for-profit enterprises, frequently have limited longevity, but other types of organizations – for instance, not-for-profit entities involving institutions such as higher education, religion, or shared affiliations (e.g., Masons) – have endured for centuries and even millennia. Leaders in the digital economy or any era must recognize their organizational context and decide how best to proceed. Sustaining profit-making momentum may require "creative destruction," dramatically changing and reducing, combining, or otherwise morphing into new organizational forms and identities while preserving the aforementioned fundamentals of connections. Strategic change can transform organizational identities as well as enhance competitive capabilities and outcomes (Park et al. 2018). Carefully selected and implemented strategic actions – whether involving an internal emphasis such as on new product development or an external perspective such as with mergers and acquisitions – provide opportunities for innovation. As illustrated by the many companies purchased by Facebook in order to maintain its competitive advantage in innovative products (Crunchbase 2019; Toth 2018), the connection between acquisitions and innovation clearly exists and has been previously noted (Park and Meglio 2019). Preserving different forms of not-for-profits and key aspects of not-for-profit organizational identity requires paying close attention to not just innovation but also to core values, vision, and mission. The Latin-language ATMs in Vatican City are an example of capturing both the history and the present of language and technology in that setting (Hooper 2012). Technology and automation in the digital economy reinforce the centrality of organizational and leadership ethics and directions and avoiding ethical transgressions (LaForgia et al. 2019).

Conclusion: Connecting, Disconnecting, and Reconnecting in Crises

Returning to the previously mentioned perspectives on leadership, strategy, and recurring waves of business tactics and maneuvers – particularly the premiere business strategy tactic of mergers and acquisitions – as well as of disease cycles and economic impact, in conclusion we position leadership connection and disconnection in the context of successive ages of crisis. We take the global business perspective and the health perspective in turn. From the second (1920s) through the seventh (starting in 2014) merger waves – that is, from the previous century through the turn of the millennium – we have seen a return of income polarization and extreme disparities in access to opportunity and social mobility. In the interim, concomitant with the rise and fall of unions in the USA, income levels converged. The fourth-to-fifth merger waves (1980s and 1990s) heralded the explicit greed-is-good unrestrained opportunism and wealth-building takeovers, followed sometimes by incarceration, ostracism, and stigma for the corporate or investment leaders for illegal maneuvers. The momentum then transitioned to the unbridled overseas expansions, mega-mergers, and mergers-of-equals of the sixth and seventh waves. We have looked at modern business executives, particularly in the upper echelons, being highly digitally interconnected – and often extremely conversant in the use of social media – but at the same time dramatically disconnected from the strategic performance realities of the companies they are leading. These executives may have mass market appeal, but they distance themselves from the social immobility and income compression of what used to be known as the working class. In sum, we apprehend increasing digital interconnectedness juxtaposed against decreasing levels of strategic, economic, and ethical awareness within the ranks of corporate leadership. In addition to strategic, economic, and ethical isolation, the rising volume of information has seemed to paradoxically correspond to lower information uptake.

As revealed in the exemplar cases, this conjunction of circumstances influences digital economy executives being both isolated and uninformed amidst the increasing challenges of leadership.

Intriguingly, business cycles and disease cycles have coincided in the twentieth and twenty-first centuries (Lotterman 2020), a simultaneity that has challenged at least one of our exemplars. Paralleling with even longer-standing history, waves of pandemics have swept nations, regions, and the world (Janus 2020). From the global perspective and beginning with evidence from Bronze Age and even prehistoric times, early forms of smallpox and measles, through the bubonic plague, many variations of flu, polio, cholera, HIV, and then COVID-19, crises of infectious disease have recurred and have challenged scientists, healthcare providers, and organizational leaders in finding solutions (MacArthur 2020). Whether crises involve going viral in an undesired informational sense or in the realm of infectious diseases, pandemics of social disconnection and health and safety distress challenge the modern business leaders in both cyber and physical space. Reconnection can perhaps be accomplished by returning to core communication and ethical values and behaviors transcending yet also addressing these crises.

Cross-References

- ► A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
- ► Conclusion: Management Theory in Crisis
- ► Conflicting Understandings of the Industrial Revolution and Its Consequences: The Founding Figures of British Management History
- ► Economic Foundations: Adam Smith and the Classical School of Economics
- ► Henry Ford and His Legacy: An American Prometheus
- ► Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era
- ► Labor and Employment Practices: the Rise and Fall of the New Managerialism
- ► Management History in the Modern World: An Overview
- ► Trade Union Decline and Transformation: Where to for Employment Relations?
- ► What Is Management?
- ► Why Did the Great Recession Fail to Produce a *New* New Deal in the USA?

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Conclusion: Management Theory in Crisis 46

Jean-Etienne Joullié

Contents

Abstract

The quest for management theory started in earnest at the dawn of the twentieth century. Its goal is to make management a reliable undertaking, leading to predictable results. Disagreement exists about the research framework best suited to this pursuit. However, except for postmodern authors, management researchers assume the existence of stable and causally effective structures underpinning organizational life. Such an existence implies a deterministic picture of human agency. Equivocations, ambiguities, tautologies, and imprecise language obfuscate this implication, hollowing out management theory of its performative quality. A century after its inception, the quest for management theory has failed. Other avenues for management scholarship exist.

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Management theory · Research paradigm · Positivism · Postmodernism · Determinism

As Professor Gould notes in the introduction of the present volume, Fordism underpinned public policy making during much of the twentieth century – and in many ways still does. Starting as an industrial management theory, under the name of scientific management, Fordism evolved into a political regime associated with economic growth and welfare state. Although the social consequences of Fordism in general and scientific management in particular have been widely discussed (including in the preceding chapters and volumes of this *Handbook*), the implications of the idea of management theory have received less scholarly attention. This is unfortunate, because, as this chapter shows, such an exploration sheds new lights on management research. This endeavor starts with an examination of the concept of theory.

In everyday language, a theory is a speculation or hypothesis, a loosely substantiated conjecture about a general or particular aspect of human experience. In scientific and scholarly literature, the term acquires a more precise meaning and stands for a group of statements about the world and their logical consequences (Bogen 2017). Scientific theories range from descriptions of regularities observed in natural or experimental conditions, to laws, like Newton's, that are universally applicable within a field of study. In all cases, the validity of theories goes beyond the phenomena that underwrote their (inductive) formulation, all other things remaining the same. That is, scientific theories express permanence: they describe and codify patterns deemed stable enough to serve as bases for predictions about as yet unobserved phenomena, thus allowing, in principle at least, for control of these phenomena. Lyotard (1984) called "performativity" this predictive, instrumental quality of scientific theoretical knowledge, from which science draws its legitimacy.

Management researchers have embraced the performativity of scientific theories. In management studies, a theory is a testable proposition, or group of propositions, through which scholars describe organizational phenomena with the view of predicting the occurrence and course of similar ones (Shapira 2011: 1313; Sutton and Staw 1995: 378; Gioia and Pitre 1990: 587). If they want to contribute to management theory, researchers must therefore study managers' environment and behavior as well as their consequences, in the hope of identifying regular relationships between them. Once identified, such relationships are codified as management theories, that is, are formalized as expectations that identical consequences will follow should the same behavior be repeated, everything else (environmental conditions especially) remaining equal.

As Locke (1989) notes, donning the mantle of science enabled management to acquire the status of an academic discipline. At university, if students cannot practice management, they can study theory. Theoretical knowledge offsets the lack of experience of future managers by allowing them to predict organizational phenomena, including the consequences of their own behavior. Theory also helps current managers improve their practice (Christensen and Raynor 2003). Expressed differently, theory allows managers to manage like engineers engineer and doctors heal patients: safely, reliably, and on the back of a formal body of theoretical knowledge acquired at university. Such has been in any case management academia's overall promise since its inception (Khurana 2007). This has been a convincing pledge: while business and management programs have established themselves as the most popular ones among US undergraduates (about 20% of current enrolments), faculty in business, management, and related disciplines command the highest salaries, after those of legal studies academics (Snyder et al. 2018; CUPA-HR 2016).

The Birth of Management Theory

If the origins of management thought are multiple and date back to ancient philosophy (Joullié and Spillane 2015), management theory has a much more recent history. Commentators (e.g., Kiechel 2012; Wren and Bedeian 2009) have located its formal birth in the address that Henry Towne, co-founder of the Yale Lock Manufacturing Company, delivered in May 1886 to the American Society of Mechanical Engineers. In his talk, Towne lamented that, whereas engineering was in his day already endowed with a formal body of knowledge, the "management of works," a modern art essential to social welfare, was still a scholarly orphan. In Towne's view, the missing discipline would be rooted in economics (but developed by engineers), since management's ultimate objective is economic gain.

Despite calling for its development, Towne came short of uttering the expression "management theory." He was also seemingly unaware that, over a century before his talk, an economist had laid the first foundation of the notion. In *The Wealth of Nations*, published in 1776, Smith (2007: 603) indeed held that division of labor contributes to economic growth through increased efficiency, if also making workers' "stupid and ignorant" and widening the distance between them and their employer. Empirical confirmation of Smith's insight became available when, in the first decade of the twentieth century, Frederick Taylor argued and Henry Ford showed that manufacturing process simplification and standardization made spectacular productivity gains possible, enabling in turn lower consumer prices and increased wages. Unlike Towne, Taylor (1919: 27) did use the term "theory" to refer to his "principles of scientific management." Although industrialist and social reformer Robert Owen (1771–1858) preceded Taylor when he advanced principles to regulate cooperative work, the latter can justifiably claim the title of first self-conscious management theorist (Besides Owen and Taylor, one must mention Charles Babbage, Henry Gantt, Henri Fayol, as well as Frank and Lillian Gilbreth (among a few others) as pioneers of management theory (Wren 2004; Wren and Greenwood 1998).).

Following Smith, Taylor insisted on the distinction between mental and physical work, that is, between managing (task specification and planning) and executing. With the control of the work, prestige and power went to the production managers.

As Smith feared, however, workers resented such a loss of status and tended to go on strike where industrialists implemented Taylor's ideas. To no avail: once scientific management had proved its mettle in a variety of settings, the idea that management can be systematized and that there are techniques available to managers the implementation of which makes their organization more profitable and society more prosperous (if perhaps less harmonious) proved irresistible. Management theory was no longer a project, but, in some ways at least, a tangible reality.

Early twentieth-century management theorists contemplated a vast research program. In an effort to improve workshop productivity and in the spirit of Taylor's time and motion studies, the US National Academy of Sciences launched in 1924 a series of experiments at Western Electric's Hawthorne Plant in Cicero, Illinois. The results of the Hawthorne studies were puzzling at first: although productivity within a small group of women assembling relay parts improved, no change in environmental conditions, in work schedules, or even in incentives could explain why. This succession of rejected hypotheses led to the studies' abandonment, until Harvard Business School's Elton Mayo revived them. Mayo (2007 [1933]) held that he could explain the otherwise unexplainable by factoring in the relationships that developed between workers, between workers and their supervisor, and between the entire group under analysis and the researchers. Work organizations, extended to those in contact with them, were "social systems" transforming inputs into outputs (Roethlisberger and Dickson 1934).

In 1915, as scientific management consolidated its influence over North American manufacturing, English engineer Frederick Lanchester applied mathematics to warfare (Lanchester 1956). In particular, Lanchester devised a series of mathematical equations to predict the outcome of the confrontation of land forces. During WWII, British and American army engineers extended Lanchester's ideas first to aerial and naval battles and then to the control of resources and logistic processes. After the conflict, their models, enriched with statistical tools and numerical algorithms, proved their usefulness in the private sector. Called today "operations research" or "management science" when specifically applied to business situations, these mathematical techniques and concepts enable the optimization of any situation adequately represented by an objective function, be it crop yield, assembly line performance, or vehicle routing (Beer 1968).

Beyond the control of resources and logistics processes, the quest for a general management theory continued. For instance, Chester Barnard (1968 [1938]) held that work organizations are cooperative systems. If, unlike the Catholic Church, they rarely survive for long, Barnard argued, it is mainly because they do not meet two essential criteria. These, for Barnard, were effectiveness and efficiency, which he defined as attainment of collective purposes and fulfilment of personal motives, respectively. Accepting much of Barnard's analysis, Simon (1997 [1947]) set out to lay down the foundations of an "administrative science." In the management of administrations, Simon argued, efficiency must receive the highest priority, and decision-making is the most important process. This endeavor, which rests on logical and mathematical considerations, requires distinguishing value judgments from factual observations. However, since, as Barnard taught, efficiency involves personal motives, decision-making is never entirely rational. It is bounded by the values of the decision-maker. Not that this individual is beyond scientific study and understanding: intelligence is merely computation, and human beings are simple "behaving systems," complex only insofar as they respond to an environment that is itself complex (Simon 1996 [1969]).

Simon joined what would become the Carnegie School of Industrial Administration (GSIA) in 1949. Working notably with James March and Richard Cyert, he established the bases of the Carnegie School, an intellectual movement known for its emphasis on decision-making based on quantitative methods. Quite naturally, when in 1959 the Carnegie Foundation for the Advancement of Teaching delivered its report railing against the poor academic standards of management programs (the Ford Foundation report of the same year delivered a similar verdict), it considered GSIA's methods and agenda as models to imitate (Khurana and Spender 2012). Thanks to the endorsement of the American Association of Collegiate Schools of Business (AACSB) and to generous grants made available to those institutions that implemented its prescriptions, the 1959 Carnegie Foundation report's recommendations were widely implemented, reshaping management academia first in North American then all over the world.

Igor Ansoff, an engineer who worked for NATO before joining Simon at GSIA, applied quantitative methods to long-term corporate planning. As part of this effort, Ansoff coined the expression "corporate strategy," then an unknown and empty phrase to which an eponymous book (Ansoff 1965) gave substance and popularity. Ansoff was an academic pioneer, but he was neither the first nor the only one to promote strategy as a management concern. In 1963, Bruce Henderson had started what would a few years later be the Boston Consulting Group, a management consultancy hailing "business strategy" as its specialty (BCG 2013). Based on historical data, Henderson found in particular that the evolution of manufacturing costs follows in most industries a predictable pattern, which corporate portfolio managers can use to decide on investments and divestments. Bringing the mathematical rigor of his PhD in economics, Michael Porter (1980, 1985) provided additional theoretical support to his predecessors' work. He notably argued that organizations determine their strategy after in-depth analysis of the "competitive forces" that operate in their industries and markets. Chief executives respond to these forces by following one of three possible generic strategies, which Porter analyzed as chains of value-adding activities and resources. Among these are competitive advantages, the attributes that enable an organization to outperform its competitors.

Lanchester evaluated organizational resources, Mayo observed people working in groups, Simon analyzed decision-making, Ansoff investigated corporate investments, and Henderson delved into manufacturing costs, while Porter probed into corporations' economic environments, processes, and resources. All the same: despite their differences, these endeavors, for successful and influential as they have been on their own, belong to the same tradition. Called by Kiechel (2010: 4) "Greater Taylorism," this tradition is more accurately qualified as structural-functionalist-positivist, for reasons to be exposed shortly. It is a tradition that assumes that management research is a scientific endeavor, because it aims at an objective similar to that of the natural sciences: the production of a performative body of knowledge, that is, theory allowing for prediction and control of particular types of phenomena.

Theoretical Foundations

The quest for management theory has not ended since the days of the pioneers mentioned in the foregoing. More appropriate today is to speak of management theories, for contemporary management studies is a field marked by increasing theoretical multiplicity. Taylor sought to improve the efficiency of physical tasks and based his theory on the view that line workers only execute, not organize, their work. Conversely, Mayo could formulate a theory about the data collected at Hawthorne only after taking account of employees' interpretations of the experiment. Different levels of analysis produce different management theories. On this basis, there seems to be no end to their multiplication (Whitley 1984). Already in 1961, Koontz (1961) lamented a theoretical "jungle" of thickening complexity, identifying first 6, then 11, distinct families of theories less than two decades later (Koontz 1980). The jungle has not receded since: an overarching criterion for article acceptance in a leading management journal today is that the research it reports extends existing theory or builds new theory.

About the phenomena they study, what these phenomena encompass and how to study them, management researchers explicitly or implicitly develop clusters of assumptions. For instance, scholars wanting to develop a theory describing how people behave in organizations must first define what they believe qualifies (or not) as an organization, what kind of behavior is relevant, and what kind is not. As the examples of Taylor and Mayo illustrate, however, such definitions rest themselves on different conceptions about human nature and social reality. Underlying the plethora of management theories lies therefore another profusion, that of ontological, epistemological, and methodological assumptions. Different clusters of assumptions lead to different conclusions about how to conduct management research, about what kind of phenomena should attract researchers' attention and therefore about what counts as a management theory.

In management and organizational studies, an influential study of the assumptions scholars espouse when conducting their research is Burrell and Morgan's (1979). At the time of writing, the work has attracted over 15,597 citations according to Google Scholar; already in 1996, the work's influence was judged "hegemonic" (Deetz 1996: 191) (In 2013, the work attracted over 6000 citations (Hassard and Cox 2013: 1701); this shows that, rather than waning, the influence of Burrell and Morgan's study is growing.). That Burrell and Morgan's study has been influential does not mean it has been consensual, however. For example, disagreements exist about the number of research frameworks, their names, or the research practices they produce. Thus, in place of the four frameworks identified by Burrell and Morgan, authors have proposed three (Locke 2001: 7–12) or two (Lakomski and Evers 2011; Boisot and McKelvey 2010; Clegg and Ross-Smith 2003). In the related field of sociology of work, Watson (2003) has distinguished three sets of methodological assumptions leading to six different research approaches (In a later work, Watson (2017) argues for four different approaches.). What remains certain is that Burrell and Morgan's work has shaped discussions about such matters; its terminology has been retained in the discussion about to unfold.

Burrell and Morgan (1979: 21–25) called "paradigms" the four clusters of assumptions that frame management and organizational research and named them "functionalist," "interpretivist," "radical structuralist," and "radical humanist." In their view, these paradigms are incommensurable, in the sense that they rest on fundamentally incompatible views about social science and social reality, leading to radically different research practices, objectives, and results. For instance, researchers working as per the radical structuralist and functionalist paradigms share an emphasis on objective study of social reality, while those following the radical humanist and the interpretive paradigms believe that social phenomena can only be understood subjectively. That is, it is the perspective and intentions of those individuals the behavior of whom is studied that primarily concern the latter group of scholars, not the actual manifestations or consequences of that behavior (which concern the former group of researchers). However, still according to Burrell and Morgan, adepts of the interpretivist and functionalist paradigms promote social regulation, while those scholars following the radical humanist and the radical structuralist paradigms stimulate research enabling social change.

Burrell and Morgan's (1979: 32–33) radical humanist scholars deserve further exposition, for their conception of research sets them apart on management academia's scene. These researchers believe that ideological constructs dominate human consciousness and estrange human beings from their full potentialities. In particular, they see a science of management as a construct leading to alienation, with the Taylorization of the workplace held as a prime example of such dehumanization. In the radical humanist perspective, the trust invested in management as an applied science is one of these ideological barriers to human fulfilment. Radical humanist scholars thus see their mission as identifying the multifarious manifestations of the management science ideology and help fellow human beings in their attempts to liberate themselves from it.

A critical evaluation of Burrell and Morgan's classification is not immediately relevant to the present argument (Hassard and Cox 2013 and Deetz 1996 are examples of such evaluations). Similarly, whether the paradigms Burrell and Morgan identified are truly incommensurable, thus leading to irreconcilable research practices and incompatible management theories, or can be somehow reconciled within one or more meta-paradigms is a question that can be postponed, at least for now (Clegg and Ross-Smith (2003) answer it by the negative, while Lakomski and Evers (2011) claim that "naturalistic coherentism" can account for the main paradigms that actually exist. Boisot and McKelvey (2010) argue that complexity science provides a bridge between research paradigms, while Wicks and Freeman (1998) believe that pragmatism provides a research ground common to all paradigms.). General comments about management research are in order before a discussion on such matters is possible.

Mainstream Management Research

Beyond their disagreements, authors who have analyzed the assumptions underpinning management research grant a dominant role and influence to the sort of research that Burrell and Morgan called "functionalist," if under a different name. For instance, while Watson (2017), Clegg and Ross-Smith (2003), and Johnson and Duberley (2000) have called such research "positivist," Boisot and McKelvey (2010) and Locke (2001) have preferred to name it "modernist" and Lakomski and Evers (2011) "empiricist." Although connected, these terms deserve to be distinguished.

"Modernism" refers to a period in the history of Western ideas, arts, and culture, with roots in the nineteenth century but culminating in the first decades of the twentieth century. "Empiricism" is the view, developed from the sixteenth century onward, that the exclusive source of knowledge is experience, that is, information conveyed by the senses. Positivism is a philosophy of science first given systematic exposition by Auguste Comte (1798–1957) and further developed in the 1920s and 1930s (Kolakowski 1969). Positivist science accepts the empiricist premise: it studies reality in its phenomenal manifestations. It ignores moral values to focus exclusively on facts, defined as corroborated, intersubjective sense data. Accordingly, positivist scientists strive for objective (value-free) observations of phenomena, from which they inductively infer theories that they confront to new observations by way of predictions and experiments. In the life and physical sciences, positivism is the arch-dominating, not to say quasi exclusive, philosophy.

Functionalism is not a philosophy of science but a conception of social reality. Although often said obsolete, functionalism is still central to sociology (Kingsbury and Scanzoni 2009). Functionalists believe that they can adequately describe any social phenomenon (institution, pattern of behavior, norm, or belief) in the terms of the function (and of the effects of this function) this phenomenon discharges on other phenomena under analysis, irrespective of the intentions of the individuals that animate or harbor it (Gellner 1970). As Radcliffe-Brown (1940) long argued, however, functionalism is intimately associated with another sociological ontology, namely, structuralism (on this theme, see also Lévi-Strauss 1963). Structuralism is the view that phenomena only exist through their relationships with larger, ordering structures (Blackburn 2005: 353). The connection between functionalism and structuralism is a natural one, for the concept of relationship almost invariably leads to that of function. Further, to speak of function is to imply that there is an entity that functions. If phenomena are only observable through relationships seen as functional manifestations and if functions manifest the existence of entities that can be decomposed into sub-entities, the difference between functions and structures is merely lexical. In this sense, dissociating functionalism from structuralism and holding them to be incommensurable views of social reality, as Burrell and Morgan did, are unwarranted moves; many authors understandably speak of structural-functionalism (e.g., Dew 2014).

In social science, the structural-functionalist tradition is perhaps best exemplified in the work of Émile Durkheim (2002 [1897]). For Durkheim, society is the ultimate structure, a determined, complete, coherent, and self-regulating system made of causally interconnected components (structures). Among these are work organizations, which stand for and discharge social functions. Individuals do not exist as autonomous beings but only as components (substructures) of society and its institutions, i.e., as vehicles of the various social functions they simultaneously embody and discharge.

In management studies, the combination of structuralism, functionalism, and positivism has been attractive to scholars. Indeed, the research framework such a combination produces provides immediate ontological, epistemological, and methodological support to the quest for management theory. As per the structural-functionalist view, work organizations, their internal components and attributes (equipment, patents, brands, employees, hierarchies, processes, etc.), and their partners, suppliers, customers, inputs, and outputs are nothing but structures which discharge and embody regular and causally effective functions (relationships) on other structures. Further, as per the positivist research framework, the behavior (function) of these structures is amenable to objective observation, thus ensuring the scientific status and value neutrality of the resulting management theory.

In the structural-functionalist-positivist (SFP) perspective, management research is an endeavor modeled on that of natural science, resting on similar assumptions and aiming at the same overall objective of performativity: prediction and control by way of theories. Management is itself a practice conducted as per a body of theoretical knowledge, expressed in scientific language and grounded on objective observation and quantitative data analysis. As in other applied sciences, there are universal, value-free, and predictive methods available to managers through which they can improve their practice. The SFP conception of management studies is that which Taylor pioneered and to which Simon and his peers at GSIA first gave unassailable academic credentials. It has formed the backbone of management academia to this day (hence the qualifiers "traditional," "orthodox," or again "mainstream" that are also used to denote it). As attested by AACSB's mission statement, it is a conception of management research and practice that, in typical positivist fashion, equates scholarly and scientific progress with social progress and general human welfare ("The vision of AACSB is to transform business education for global prosperity. Business and business schools are a force for good, contributing to the world's economy, and AACSB plays a significant role in making that benefit better known to all stakeholders – serving business schools, students, business, and society" (AACSB n.d.).).

Besides Simon, one can cite Blau (1963), Pfeffer (1982), or Donaldson (1996) as salient representatives of the SFP tradition in management and organization studies. The appearance of game theory, the rise of economics and finance in management schools' curricula, and the preponderance of quantitative studies in management journals are signs that the SFP tradition is not only current but also gaining influence because quantitative analysis is associated with certainty, objectivity, and instrumentality, all notions at the heart of the positivist research program. "Evidence-based management" (Pfeffer and Sutton 2006; Rousseau and McCarthy 2007), insofar as it is conceived as a research agenda and not merely a body of practice, is another outgrowth of the positivist branch of management studies.

Burrell and Morgan's radical structuralist account of management research, as its name indicates, hinges on the view that stable structures underpin social reality. Citing Marx as example, Burrell and Morgan (1979: 34) note that, for radical structuralists, "radical change is built in the very nature and structure of contemporary society" and that such structure "provide[s] explanations of the basic interrelationships within the context of total social formations." Interpretivist social researchers espouse this (structural-functionalist) conception of social reality insofar as they are committed to the position, as Burrell and Morgan (1979: 31) put it, that "the world of human affairs is cohesive, ordered and integrated." When Mayo and Roethlisberger spoke of causally effective "social systems" to account for what happened at Hawthorne, they did not mean differently.

In *The Theory of Social and Economic Organization*, Max Weber (1969 [1915]) argued that social scientists should inquire in the causes of unintended events, but ignore intended ones. If an event occurs as the deliberate result of an individual's action, this particular individual is the cause of that event, and there is no need to engage in scientific inquiry to discover what caused it. However, if the event is unintended, then its real causes are unknown, and it is therefore worthwhile to mobilize scientific means to discover them. Such a discovery will make it possible to judge whether the event in question will occur again or to control its occurrence. In this argument at least, Weber did not deviate from positivist science's overall performative agenda, according to which the ultimate purpose of scientific knowledge is to expand and consolidate control of reality. The interpretive school of social research is thus not an alternative but a complement to the picture provided by the positivist account (Khurana 2007: 394).

The radical humanist management researcher, according to Burrell and Morgan (1979: 32), has much in common with his interpretivist counterpart. Both believe in the existence of stable, superordinate arrangements of organizational reality buried in human consciousness (for instance, in the shape of ideologies or moral constraints), which they strive to discover and codify. Where radical humanists differ from interpretivists is in how to use such knowledge: to regulate organizations for interpretive scholars or to change it for radical humanist researchers. In either case, however, scholars retain the central performative agenda of SFP research.

In summary, although differing in their methods and in some of their assumptions about social reality, the four paradigms of management research identified by Burrell and Morgan (1979) share a central agenda. They are variations on the quest for stable and ordering features underpinning organizational reality, the existence of which is assumed. In making this assumption, management researchers walk in the steps of their illustrious predecessors in social science, be it Marx, Durkheim, or Weber, all of whom took the existence of causal trends or relationships structuring the social phenomena they studied for granted (Giddens 2000: 239). The alleged incommensurability of Burrell and Morgan's research paradigms must therefore be requalified: in a crucial aspect, it is merely superficial. They differ not on the nature of the ultimate substratum of organizational reality (stable, causally effective structures) but on where to locate that substratum and how to study it.

Once suitably identified and codified by management researchers, stable and causally effective structures form bases from which prediction and control of organizational phenomena are possible. For instance, if organizational cultures manifest themselves along fixed dimensions (stable and causally effective structures), then managers must take advantage of these dimensions when restructuring or regulating organizations (management theory; see Buono and Bowditch 2003). The idea that there is such a thing as a management theory to be discovered because there are such things as stable, causally effective features that determine organizational reality is therefore *the* theory underpinning all management theories. However, in this statement, "theory" is not to be understood in the scientific sense (i.e., as lawlike generalization stemming from past observations intended to predict future ones), but, in the everyday sense, as mere speculation. Management researchers accept it a priori, as an axiom, because without it, the performativity of their research cannot be justified.

In its current format, management academia as a whole hinges of the possibility of theory. It is thus unsurprising that, despite their alleged incommensurability, the various approaches to management research that Burrell and Morgan identified have gained momentum within management research. Not that their respective influences are equivalent; for instance, compared to the dominating influence of the functionalist account, that of the radical humanist paradigm appears modest (Gioia and Pitre 1990). Whatever the case, if management academics suffer from "physics envy" (Bygrave 1989: 16), they also labor under a managerial bias, since the ultimate objective of their research is to provide means for organizational regulation or transformation, that is, executive control. Irrespective of their research paradigm, they are all, in Baritz's (1960) apt expression, "servants of power."

Postmodern Management Research

Published in 1979, Burrell and Morgan's work could not include a discussion of a stream of management studies that is embryonic in their analysis but only took shape in earnest in the early 1990s. It is a stream of management studies that appears in later discussions of research paradigms, albeit with a much weaker degree of agreement about what sort of research it consists of and to what sort of theories (if any at all) it leads. This is the research framework called "postmodern" (Hassard 1994), "postpositivist" (Clegg and Ross-Smith 2003), "postmodernist" (Lakomski and Evers 2011; Boisot and McKelvey 2010; Johnson and Duberley 2000), or again "deconstructionist" (Hassard and Cox 2013). Another umbrella term for this body of management research is "critical management studies" (Alvesson and Willmott 1992; Fournier and Grey 2000; Boje et al. 1996; Adler et al. 2007), although other commentators have preferred to speak of the "symbolic perspective" (Sulkowski 2010) or "subversive functionalism" (Koss Hartmann 2014). Supported by dedicated journals, postmodern management research, in its multifarious hues, represents today an active area of scholarship. However, even if many postmodern research themes have found their way in mainstream management research

(Hassard and Cox 2013), postmodern management scholarship has had little influence on the content of current management curricula. There are good reasons for this.

Along the lines followed by Burrell and Morgan's radical humanist scholars, postmodern management researchers seek to distance themselves from the tradition of Taylor and Simon because they are wary of its consequences. They, too, pursue a "political" research agenda insofar as they oppose what they believe are the noxious effects of a science of management. What makes postmodern management researchers' position distinctive, however, is their rejection of stable empirical referents. Following such thinkers as Foucault, Feyerabend, and Derrida, postmodern management authors either reject the notion of "truth," which they see as an element of a discourse seeking domination or, if they accept it, believe it to be inaccessible (Joullié and Spillane 2015: 278–283). As a result, postmodern management authors are not merely suspicious of management science for being an instrument of social oppression; rather, they dismiss it altogether. They deny society a stable, neutral existence and see institutions, symbols, words, and texts not as having fixed meaning or pointing to permanent entities. Rather, postmodernists analyze such components of social experience as repressive processes silencing other institutions, symbols, words, and texts, all the while promoting the agendas of their incumbents or of those who author them. In the postmodern worldview, there cannot be a science of management because the objectivity demanded by SFP research is a delusion, a mirage: what passes for reality is in fact a fabrication, a socially constructed illusion, a lie. In particular, organizational life is politically motivated, a scene on which vested interests constantly play out and collide, in any case an experience escaping passive or neutral recording.

While there are merits to a critical view of organizational life, it is easier to understand what postmodern management researchers oppose than what they propose, if anything. This impotence is mainly the consequence of their radical (anti-) epistemological stance that condemns them to an anti-performative position. Rejecting the idea that organizational reality exists as a permanent object of study, postmodern management scholars find themselves incapable of recommending a course of action, be it to fellow management academics or managers. In the absence of stable, causally effective social structures, there is indeed no ground upon which a theory could develop. If postmodern management authors are correct in their views of social reality, their work itself stems from and embodies an ideology that is politically motivated, that is, oppressive in its intentions. Surprisingly, however, this insurmountable difficulty has not prevented some postmodern management authors from proposing practical advice to managers and academic peers (see Donaldson (2003) for an extended discussion on this theme).

The Collapse of Theory

The ethical, logical, epistemological, and ontological difficulties met by researchers in social science have been long documented (e.g., Giedymin 1975). In fact, it was their progressive articulation (in the hands of Weber, Adorno, Horkheimer, and

Popper, most notably) that spurred the development of the different versions of social research that Burrell and Morgan mapped. Various strategies are available to mitigate the difficulties that each research paradigm generates (see especially Johnson and Duberley 2000; see also Boisot and McKelvey 2010; Wicks and Freeman 1998; Gioia and Pitre 1990). Rather than these well-travelled themes, the following explores an overlooked aspect of management research's difficulties.

The main issues social researchers face in their work stem from the influence that they inevitably exert on the agents the behavior of whom they study, the complexity of social phenomena, the impossibility of studying them in laboratory conditions, and the challenge of identifying control groups before conducting experiments. Considered together, these difficulties rule out explanations of social events similar to those advanced in the natural sciences, which are in terms of causes and effects of these causes. As Andreski (1969: 58) observed, at most, in social sciences, only "possibilistic" explanations can be advanced, that is, explanations why something could happen, not why it happened, let alone why it had to happen. In other words, in social science, explanations do not express sufficient conditions of occurrence of an event (causal explanation), but necessary conditions of occurrence. As such, explanations of social phenomena are not predictive and thus cannot be performative (On this account, there cannot be theory in social science, and "social science" is itself an oxymoronic expression. For an extended discussion on this theme, see Gellner 1986: 101–127); see also Morgenbesser (1970).). Moreover, if one accepts the reality of free will, i.e., if one understands that human behavior is by nature unpredictable, then one must also accept that causal explanations of social events are impossible in all cases where these events are determined by the choices of one or a handful of individuals. Such is typically the case in management situations where decision-making rests with one or a small number of people.

If the indeterminacy of human actions vitiates the possibility of causal explanations, it follows that the possibility of causal explanation requires that human actions are predictable. Expressed differently, the quest for performative (because causal) management theories must assume a degree of psychological determinism, at least on the part of those to whom the theories apply. For example, in *For Positivist Organization Theory*, Donaldson (1996) argues that organizational decisions are entirely contingent on phenomena over which managers and executives have little or no control, such as general economic conditions, competitors' offering, legal constraints, or simply shareholders' expectations. There is therefore no such thing as strategic choice. Managerial free will, if it exists, is of negligible consequence; trying to account for it in management studies is a pointless endeavor. If true, such a deterministic view of organizational reality leaves little room for such widely debated notions as business ethics and corporate social responsibility. Scholars engaged in these latter research agendas are mistaken in their efforts.

Even if they do not share Donaldson's positivist commitment, management theorists, irrespective of their research paradigm, share his view on human agency, knowingly or not. This is the case because if organizational reality is structured along stable and causally effective features (be they buried in the depths of human consciousness), then organizational life is ultimately determined in some aspects.

These aspects are the phenomena that management researchers study, the occurrences of which their theories describe and predict. It is thus possible to determine future occurrences of the phenomena the theories encompass, like the behavior of elementary particles is predictable and controllable by way of the electromagnetic forces theorized by physicists. As discussed, postmodern management scholars escape these comments at the cost of being incapable of proposing any management theory at all.

Being performative, management research, irrespective of its paradigm, requires and implies a degree of psychological determinism. Yet, bar for theorists like Donaldson, most management scholars do not realize this implication, as their concern for managerial and corporate responsibility attests. It thus behooves the present commentator to explain the discrepancy between what management researchers actually do and what most of them profess they do. Although such an argument requires more sustained development than space affords here, I submit in the following paragraphs that management authors do not recognize the psychological determinism implied in their research and conveyed by their theories because they obfuscate it, presumably unwittingly, behind a cloud of equivocations, ambiguities, tautologies, and imprecise language.

Scholarly management and organization studies offer equivocations aplenty. Although a systematic survey of the concerned literature is normally required to substantiate such an assertion, three examples will suffice to provide it credibility and prosecute the present case. They pertain to the use of "authority," "personality," and "motivation," three terms that are pervasive in management literature.

"Authority" is an ambiguous word that management authors generally leave undefined. Dictionaries (e.g., the *Merriam-Webster* online dictionary, accessed on 14 March 2018) acknowledge this ambiguity when they define the term as "the power to influence or command thought, opinion, or behaviour." To influence is not to command, however: the former verb leaves room for subjective interpretation and thus psychological freedom; the latter does not and implies necessary obedience by way of psychological control. Thus, when Rojas (2010: 1264) writes in his study of academic authority "some actors [. . .] seek the authority to coerce others" and that "connections help individuals acquire the legitimate authority to influence events" (2010: 1265), he equivocates on the two meanings of the term and leaves the practical implications of his theory uncertain. Such an equivocation is doubly convenient. First, should the theory be implemented, the equivocation protects the theorist from the charge that his research does not result in employee coercion. Second and more to the point of the current discussion, the equivocation presumably leaves the same theorist unaware of the deterministic implications of his theory. Had the meaning of "authority" been clarified or a less ambiguous word like "power" or "control" been used, these implications would have been either avoided or made apparent.

"Personality" is a concept central to managerial psychology and to a large component of management and organizational behavior literature. Although there are over 200 different definitions of personality (Spillane and Martin 2005: 71), most of them advance personality as a stable psychological structure or process that confers individual behavior an overall degree of consistency. In this perspective, personality explains (i.e., causes) behavioral regularities (McRae and Costa 1996: 57–58). The concept of personality thus assumes that there are aspects of behavior that remain beyond the volition of the individuals. Notwithstanding claims to the contrary, the psychological determinism of personality theories is particularly evident when personality is viewed as a bundle of stable traits (dispositions) existing within the person and controlling his or her behavior (Clarke 2009). Indeed, behavioral predictions based on the results of personality tests have been a major goal and justification of personality research since its beginnings (Baritz 1960: 21–41).

The psychological determinism implied in personality psychology is not without consequences on personal freedom, intelligence, and creativity. If individuals behave as per fixed psychological structures beyond their control, they are not completely free and thus not entirely responsible for what they do: they behave in ways constrained by their personality. It is illusory to expect from them behavior outside of the range of activities that their personality allows. The narrower the range of activities in which the concerned individuals can engage, the more consistent their behavior remains regardless of environmental conditions. In other words, the stronger the personality, the less intelligent (in the sense of adaptive) and the less creative the individual. Although this argument is of sound logic and in accord with explanations of aberrant or deviant behavior in terms of personality factors or mental illnesses (Spillane and Martin 2005: 72–74), it is not widely recognized by management authors. This confusion is evident in the use of such oxymoronic expressions as "creative personality" (Oldham and Cummings 1996), "imaginative personality" (Kartono et al. 2017), and again "intelligent personality" (Bartone et al. 2009), which are common in management and management-related literature (One influent (about 500 citations) study even mentions the concept of "responsible personality" (Berkowitz and Lutterman 1968).).

Lastly, "motivation" is a concept often found in management and organizational behavior articles and textbooks, if generally left without a clear definition. When a definition is provided, it is typically along the lines provided by Griffin and Moorhead (2012: 90), that is, one which conceives of motivation, in transparently physicist language, as "the set of forces that causes people to engage in one behavior rather than some alternative behaviour." In this reading, motivation is a causally effective factor, the reach of which is inescapable: motivated employees are caused to behave as they do (i.e., they do not act but react). These individuals' choice and free will, should they exist, are of no consequence. In ordinary language, however, motivation has a different meaning. As the *Oxford* online dictionary attests (accessed on 20 February 2018), motivation typically refers to a reason for acting in certain ways, a desire to do something, that is, a volition, a fear, an incentive, or an objective. This second definition makes room for choice and free will: if a motivation is a reason for action and not a cause for reaction, then one can change one's behavior by changing one's motivation. As is the case for "authority" and "personality," the equivocation that surrounds "motivation" is convenient for management authors, for it hides, perhaps even to themselves, the determinism of their motivation theories. It also makes their theories unfalsifiable, thus unscientific in Popper's (2004) sense, since whatever experimental evidence produced will be compatible with the theory. Should "motivated" employees behave as expected, motivation-as-cause will figure centrally in results' interpretation; should these same employees not behave as expected, researchers will call on motivation-as-reason when interpreting the results of their experiment.

The afore-discussed equivocations and conceptual ambiguities allow the concerned management scholars to cloak their theories in a scientific veneer. In strategic management literature, circular reasoning provides the scientific varnish. In two distinct streams of publications, Powell (2001, 2002) and Priem and Butler (2001a, b) have indeed observed that, since competitive advantages and valuable resources are only identified within successful organizations, these competitive advantages and valuable resources cannot, in and of themselves, explain these organizations' successful performance. Implying, as Porter (1985) and countless others after him do, that competitive advantages or valuable resources produce organizational success thus amounts to implying that organizations are successful because they are successful. The proposition is true, but trivially so. It does not state a theory but only a tautology without predictive, let alone performative, quality.

Strategic management literature is not alone in advancing tautologies masquerading as scientific theories. Such propositions also abound in the "implications for practice" sections of management articles. Bartunek and Rynes (2010) reviewed 1738 empirical articles published in 5 leading management and management-related journals in 1992 and 1993 and between 2003 and 2007. Bartunek and Rynes (2010: 105) found that, overall, 74% (up to 89% for some journals, depending on the year considered) of these "implications for practice" sections rely on tentative language, that is, make use of "may," "speculate," "potentially," or other words of similar meaning. Propositions expressed in this sort of language are either tautological or unfalsifiable; in either case, they have no empirical implications.

Although Bartunek and Rynes based their analysis on articles published in 1992–1993 and 2003–2007, more recent exemplars are not difficult to find, showing that the phraseology they identified is still prevalent. For instance, Su and Tsang (2015: 1143) write, as practical implications of their research, that "results suggest that firms may strategically control the scope of the secondary stakeholders in which they are interested." The verb "suggest" signals that the proposed interpretation contains a part of subjectivity and that other researchers could interpret the same results differently; the modal "may" indicate that the opposite result is possible. If the sentence has some appearance of performativity, it has none of its core attributes, namely, objectivity and causality.

Tentative and speculative language, like the equivocations, conceptual ambiguities, and tautologies reviewed earlier, either obfuscates management literature's inherent determinism or hollow it out of practical consequences. In both cases and crucially, such language does not convey theoretical knowledge. Sentences like "X suggests Y," "X may cause Y," and "X potentially triggers Y" imply that Y does necessarily follow from X and that something else, or nothing at all, can possibly follow from X. That such formulation is widespread in management literature shows that scholars, despite their intentions to identify and codify theory, have been incapable of doing so.

If management research is a quest for performativity, this goal has disappeared from its practical conclusions. When engaging in management research, scholars assume that stable, causally effective structures underpin the way organizations operate, yet the language these same scholars use to report the result of their research implicitly but unambiguously betrays the inexistence of such structures. The fact is that management researchers have yet to identify a single theory they can apply in the world of organizations with the same reliability that physicists apply theirs in the world of objects. The limitations, weaknesses, and adverse social consequences of scientific management, the first and perhaps most successful of all management "theories," need no rehearsal here: scientific management is not the panacea, the "one best method" Taylor (1919: 25) insistently claimed it was. The promise of performativity made by management researchers has remained a promise. Except in their intentions and research hypotheses, there is no such a thing as a management theory. The failure of management theorists illustrates Gellner's (1986: 126–127) argument that, if science is characterized by its ability to generate cumulative knowledge capable of improving human existence by way of predictions and controls (i.e., what Lyotard called science's performativity), then the so-called social sciences (to which management studies belong) are not scientific.

Conclusion: Management Scholarship for the Twenty-First Century

The idea of management theory has had a successful run since its inception in the first decade of the twentieth century. From Taylor to Simon to Porter (and countless others), the contention that there exists a theoretical body of knowledge enabling managers reliably and predictably to improve their practice has been widely accepted. Current management education is predicated on this conception, to which tens of thousands of management researchers around the world have given flesh – or so it seems.

In scholarly literature, theory is a performative and deterministic notion. Anyone proposing a theory about natural or experimental phenomena implies that, should the conditions that presided over their initial observation persist, these phenomena will continue to occur as they have occurred and can thus be controlled or at minimum predicted. Proposing a theory about given phenomena thus amounts to claiming that the behavior of these phenomena is predictable, that is, somehow determined. Applying the notion of theory to management and organizational concerns thus requires, implies, and conveys the idea that the phenomena management researchers study are determined in some essential but inescapable ways. Organizations, however, are made of people; management is, ultimately, the management of people. The notion of theory applied to management phenomena involves a deterministic picture of human agency, one in which human beings, in some ways at least, do not act but merely react and do not behave as they wish but as they must.

To escape the psychological determinism that is inherent to the structural-functional-positivist research agenda, management theorists have developed alternative ontological, epistemological, and methodological assumptions upon which to conduct research. Despite incommensurability claims by their advocates, these competing research frameworks come together in one crucial assumption: they all rely on the existence of underlying stable and causally effective features of organizational life upon which it is possible to develop management theories. Scholars for whom this comment does not hold are postmodern management researchers for whom there are no fixed structures in social reality and therefore no basis upon which to ground theory. Postmodern management scholars escape the charge of determinism, only to face that of practical paralysis and empirical irrelevance.

Except for a few hard-core positivists such as Donaldson, management scholars do not openly commit to the idea of psychological determinism – in fact, most of them typically deny such a commitment. Nevertheless, if management theories were not deterministic in at least some of their aspects, there would not be any way to justify their performativity and consequently their teaching in management schools. It is only because management theories are supposedly performative that their knowledge is meant to enable managers to improve their practice and management graduates to pretend to management positions.

Willingly or not, knowingly or not, management scholars obfuscate their commitment to psychological determinism thanks to equivocations, conceptual ambiguities, tautologies, speculative wording, and tentative language when reporting their theories. Constructs such as "personality" and "motivation," common in management literature, demand psychological determinism to be used as support of theories, yet are often employed as if it was not the case, obscuring their meaning. The notion of "authority" and specifically its articulation with the concepts of "power" and "control" is rarely, if ever, elucidated, leaving its practical implication uncertain. Circular reasoning is at the heart of competitive advantage and valuable resource theories, carving them out of practical relevance. As for the sections of articles that spell out the practical implications of research, they rely in their vast majority on a language that denudes them of predictive application. Their theoretical content is only apparent and their performativity inexistent. The quest for management theory has failed.

A handful of scholars have perceived that management studies are facing a crisis of theory (Ghoshal 2005); that current management scholarship is mostly irrelevant to theory, practice (George 2014), and teaching (Pearce and Huang 2012); and that management academia is facing an existential and legitimacy crisis (Khurana 2007). Management academia must reinvent itself if it wants to survive these crises. If this reinvention goes through the abandonment of theory to make room for managerial freedom and responsibility, then so be it. In any case, forfeiting the claim to theoretical knowledge will not be at management studies' cost. If the pursuit of theory cannot be reconciled with a world picture in which managers act, choose, and are responsible for their decisions, then so much the worse for theory. Scholars sensitive to this line of argument will remember, however, that such an abandonment of theory must remain compatible with management academia's claim to instrumentality, if not to its promise of performativity. That is, unless they are ready to embrace critical management authors' practical irrelevance quagmire, scholars must find ways to make their research useful, if not predictive, to managers. The work of Peter Drucker, who never claimed to have a theory of management (and insisted there would never be such a thing; cf. Drucker 1986: 39), shows in the most convincing of ways that such an endeavor is possible.

The time has come for an a-theoretical management scholarship to emerge or, rather, to rise from the structural-functional-positivist grave in which Simon and others buried it. For more than 2000 years, education for community citizenship and leadership was based on *studia humanitatis*, the branches of knowledge that investigate how people document and make sense of human experience. To prepare himself for a senior administrative position, Machiavelli, to take one famous example, studied Latin, rhetoric, logic, diplomacy, history, and moral philosophy (Skinner 1981). Such an education provides analytical and critical methods of inquiry rooted in an appreciation of diverse human values, skills that managers, as decision-makers, require (Tomey 2009).

Further, to the extent that management is a linguistic activity, to learn management is to learn to speak and to think (a form of self-talk) clearly and convincingly about matters at hand. Doing this requires that one appreciates the tenets and conceptions, especially when these concern human nature, implied and conveyed by the terms one uses to frame the problems one is trying to solve. As the present analysis of the concept of management theory shows, such a liberating endeavor is impossible in the obscurity of an imprecise language, in the absence of moral and aesthetic references, or in the chaotic outline of a world grasped outside of its intellectual and historical origins. Mastery of language supports the use of reason, encourages critical argument, and produces mature individuals. The critical evaluation of assumptions brings about the awareness of alternatives: intellectual freedom, citizenship engagement, and moral leadership have no other possible origins.

In human affairs, ambiguity is the norm and necessity of behavior never encountered (one can always choose, if only how to die). If their environment is complex, human beings are even more so, because their decisions always contain an irrational and emotional element that makes them unpredictable. Despite Simon's assertions to the contrary, mathematical models cannot adequately represent human endeavors. Rather than looking for an elusive (and humanly demeaning) management theory, scholars can contribute to management thought. Expressed differently, rather than trying to predict management phenomena by way of theories, management scholars can try to understand them. Instead of searching for causes, researchers have the option to expose and clarify reasons, those that led to executive choices and managerial actions, taking into account objectives, situational constraints, and material contingencies. Elucidating past decisions of managers, their tenets, and their glorious or inglorious outcomes reveals what alternatives these managers could have pursued and what other opportunities were available to them. Defeats are humbling, successes are fleeting, and possibilities are attractive but elusive; all, however, are sources of learning. A vast and fertile research agenda beckons.

Cross-References

- ▶ A Return to the Good Old Days: Populism, Fake News, Yellow Journalism, and the Unparalleled Virtue of Business People
- ▶ Introduction: Public Policy Failure, the Demise of Experts, and the Dawn of a New Era
- ▶ Labor and Employment Practices: The Rise and Fall of the New Managerialism
- ▶ Management History in the Modern World: An Overview
- ▶ The New Executive: Interconnected Yet Isolated and Uninformed – Leadership Challenges in the Digital Pandemic Epoch
- ▶ Trade Union Decline and Transformation: Where to for Employment Relations?
- ▶ What Is Management?
- ▶ Why Did the Great Recession Fail to Produce a *New* New Deal in the USA?

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Part IX

Different Experiences: Europe, Africa, and the Middle East

Different Experiences: Europe, Africa, and the Middle East – An Introduction

47

Bradley Bowden

Contents

Abstract

Europe, Africa, and the Middle East have long shared a common and intertwined history. Prior to the Muslim conquests of the sixth and seventh century AD, the Mediterranean acted as a source of unity. After the Muslim conquests, however, it increasingly marked a dividing line between the Christian north and the Muslim south. At the same time another distinctive culture emerged in Byzantium, a culture built on loyalty to Greek Orthodoxy that subsequently did much to shape Russian developments. From the sixteenth century, sub-Saharan Africa also found itself increasingly drawn into an emerging global economy. By the twentieth century, the Middle East also experienced a vexed relationship with Western models of capitalism and management. In short, the last millennia and a half have witnessed forces of both convergence and divergence, some emphasizing a common model of capitalism and management and others a contrary course. In this Part of the Handbook, we trace this process of societal and managerial convergence and divergence across three continents.

Keywords

Management · Ethnocentrism · African management · Saudi Arabia · Russia · France · Denmark · Christianity · Islam

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Interlinked Histories

In an interview conducted late in his life, Jacques Derrida (2003/2008: 31), reflecting upon his youth in Algeria, declared himself "a child of the Mediterranean, who was not simply French, not simply African." Among French existentialist and postmodernist philosophers, Derrida was hardly alone in being Algerian born. Albert Camus and Michel Foucault were also born in Algeria. The idea that the Mediterranean provided an integral link between Europe and Africa, and between the cultures of Western Europe and those of the Middle East, is one that runs deep in the historical imagination. "The Roman Empire, at the end of the third century," the great Belgian historian, Henri Pirenne (1925/1952: 3) observed, "had one outstanding characteristic: it was an essentially Mediterranean commonwealth . . .The Mediterranean was, without question, the bulwark of both its political and economic unity." For millennia, the most prosperous and intellectually advanced cultures of the Mediterranean basin – Egypt and Carthage – were found on the inland's seas African rather than its European shores. Of the great Greek cities of antiquity, none had a longer and more glorious existence than Alexandria. During the dying years of the Roman Empire no one exerted a greater intellectual influence that the Tunisian-born St Augustine, a scholar who made Christianity acceptable to the Mediterranean's Greek and Latin-speaking elites by merging Platonist and Neo-Platonist ideas with those of Christianity (Camus 1935/2007). Indeed, it is arguable that the Catholic dogma that prevailed in Western Europe from the fifth century owed as much to St Augustine as it did to the New Testament. Evidence of St Augustine's profound effect on Western intellectual thought is found in the fact that even the revolutionary Protestant theologian, John Calvin, who repudiated most Catholic dogma, framed his thinking in an Augustinian framework, declaring "I am teaching no novel doctrine, but what was long ago advanced by Augustine" (Calvin 1536/2014: 345).

To the extent that the Mediterranean divided rather than united these divisions – prior to c.AD 700 – these manifested themselves in an East-West divide rather than a North-South division. The reason for North-South unity, and East-West division, was found blowing in the winds. For although trade winds that blew in the direction of the Middle East in the spring, and Italy and Spain in the autumn, allowed trans-Mediterranean commerce in spices and foodstuffs, for most of the year it was far easier to island-hop in a north-south direction. Writing of the situation that prevailed in the early modern era, the French historian, Fernand Braudel (1963/1975: 123) observed,

> The two halves of the sea, in spite of their trading links and cultural exchanges, maintained their autonomy and their own spheres of influences. Genuine intermingling of populations was to be found only inside each region . . . All links between different ends of the Mediterranean, by contrast, remained an adventure or at least a gamble.

During the Roman Empire, the Mediterranean's east-west division manifested itself in a continuing linguistic and cultural division between the Empire's Latin-speaking west and its Greek-speaking east. With the rise of Christianity, this linguistic and cultural division also became a religious divide as the Latin-speaking popes in Rome gradually asserted their independence from the Church's Metropolitan or Patriarch in Constantinople. The long-term result of this division, which we explore in ▶ Chap. 49, "Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861," by B. Bowden, was the emergence of what were in effect two distinct civilizations, one centered on the Latin and Germanic-speaking populations of the West who initially looked to Rome for religious leadership and the other centered upon Greek Orthodoxy. In his study, *Clash of Civilizations*, Samuel Huntington argued that the result of this divide was both profound and permanent. As "a society and a culture," Huntington (1996/2003: 140) argued, early modern Russia – with its intellectual roots in Greek Orthodoxy – bore "little resemblance" to the geographical adjacent West.

If, historically, the Mediterranean, divided along an east-west axis and united along a north-south orientation, there emerged with the Muslim conquests of the seventh and eighth centuries a new divide between a Muslim Middle East and North Africa and a largely Christian Europe. In articulating what has become known as the "Pirenne thesis," Henri Pirenne argued that it was the Arab conquests – not the earlier Germanic *Völkerwanderung* of the fifth and sixth centuries – that destroyed the cultural and economic unity of the old Roman world. As Pirenne (1939: 164) expressed it, Islam,

> . . . shattered the Mediterranean unity which the Germanic invasions had left intact. This was the most essential event in European history which had occurred since the Punic Wars. It was the end of the classical tradition.

There is no doubt that Pirenne exaggerated the effects of the Muslim conquests. Muslim Spain, in particular, long provided a conduit between the Christian north and the Muslim south. Nevertheless, there is a fundamental truth in Pirenne's observation as the Mediterranean became a dividing line across which the Christian and Muslim worlds regarded each other with suspicion, if not enmity.

Although maritime trade continued to act as a unifying force for the societies of the Old World, by the sixteenth century the Mediterranean was becoming an economically stagnant backwater as the nations of the North Atlantic littoral (Portugal, Spain, France, the Netherlands, and Britain) opened sea-lanes to the Americas and the Indian Ocean. The result was a new and largely exploitative relationship between Europe and Africa as European traders turned to Sub-Saharan Africa in search of a labor force for the plantation economies of the Caribbean and the Americas. Whereas the Baltic remained Western Europe's principal provider of time-honored commodities (i.e., grain and timber), the plantations of the Caribbean and the Americas serviced novel demands for sugar, coffee, and tobacco. It was sugar, in particular, which provided the foundation for the plantation economies of the Americas. In 1773, for example, the value of Britain's trade with the sugar-island of Jamaica was worth five times that of all its North American colonies (Ferguson 2008: 72). In every locality, this sweet, lucrative bounty fed an insatiable demand for slaves. In the Caribbean, where slavery was a comparative rarity prior to 1600, an estimated 450,000 African slaves, most traded by African chiefs intent on acquiring Western weapons and trade goods, were imported during the course of the seventeenth century. Brazil imported another half a million. Across the Americas as a whole an estimated 1,325,000 Africans arrived in chains during the seventeenth century, destined for a life of misery (Curtin 1969: 77). The seventeenth century slave trade, however, remained a comparatively small-scale affair compared to the ensuing century. In a single decade, 1740–1750, British ships carried a record 200,000 slaves to the Americas, a figure that equated to almost half the total Caribbean trade during the previous century (Thomas 1997: 264). It should be noted, became a source of wealth not only for European slavers and plantation owners. It also added to the personal wealth of the African kings and traditional chiefs, such as the Fulani and Mande in Senegal and Gambia, and the king of Dahomey (Wickins 1981: 163–165). An ancient European and African institution that had experienced a long and permanent retreat in Europe, the plantation economies revitalized slavery as an institution not only in the Americas but in Africa itself.

Invariably, the relationships between – and within – Europe, Africa, and the Middle East societies were profoundly altered as an integrated world-economy emerged. As Grietjie Verhoef (▶ Chap. 52, "Pre-colonial Africa: Diversity in Organization and Management of Economy and Society") observes, "The infiltration by Islam into the Sudan or sub-Saharan lands of West Africa had a profound impact on the indigenous kingdoms," bringing in its wake "well-organized administrative structures and introducing sophisticated financial management." Even more profound effects resulted from the process of European conquest in the eighteenth and nineteenth centuries and through the creation of a single integrated global economy in the twentieth century. In Africa, the Middle East and in Europe outside the Anglosphere, new models of management initially built around the industrial experiences of Britain and the United States clashed, informed and transformed indigenous models of business and management. Nowhere did a single model of capitalism and management emerge that was simply a mirror image of British or American experiences. Writing of the French experience, Fernand Braudel (1986/1990: 666) observed that, "France was never consumed by the necessary passions for the capitalist models, by that unbridled thirst for profits without which the capitalist engine cannot get started." In the countries and regions that constitute the focus of this study of management outside the Anglosphere – the Middle East, Africa, South Africa, France, Denmark, and Russia and the Orthodox East – the question to have constantly before us, is: Are we witnessing in this national or regional situation a variety of the model of Western management that emerged from the industrializing economies of the North Atlantic, or are we witnessing something fundamentally different?

Section Chapters

This Section owes a particular debt to the University of Johannesburg's Grietjie Verhoef, one of Africa's leading business historians, who has committed three chapters to this Section, each of which deals with a different aspect of the African experience. In her first ► Chap. 52, "Pre-colonial Africa: Diversity in Organization and Management of Economy and Society" Verhoef begins by noting that, "The vast land comprising Africa constitutes the location of dynamic contestation, conquest, and expansion of power." Of the traditional sub-Saharan African societies, Verhoef notes that although they "were essentially communal," they were not characterized by "collective decision-making." Instead, tribal leaders and kings used their political authority to exert a large measure of control over commerce and trade. Over time, however, different indigenous models of management emerged in response to the penetration of both Muslim and European commercial and business interests. In western Africa, for example, the *wari* system saw the emergence of semi-autonomous managers who oversaw the production and trade of goods (and people) under a system of royal permission and protection. In her second chapter ► Chap. 53, "Africa and the Firm: Management in Africa Through a Century of Contestation," Verhoef returns to the theme of adaptation and change, exploring the transition from the traditional models of commerce to those centered upon "management styles aligned with modern western management." In doing so, Verhoef pays special heed to the argument that indigenous African society produced a unique system of management, *Ubuntu*, which potentially provides for a moral and commercial reawakening of commerce and production on models different to the West. In her estimation, evidence to support claims as to the strength of business traditions based upon *Ubuntu* is weak. Instead, Africa has witnessed a gradual transference of leadership roles in enterprises and firms based on Western models to people of black African or mixed ancestry. In other words, modern models of business and management have come to prevail in Africa's formal economy. In her final ► Chap. 54, "Managing Africa's Strongest Economy: The History of Management in South Africa, 1920–2018" Verhoef explores the South African experience during the twentieth century, noting that, "Management in South Africa developed within the western tradition." During the so-called *apartheid* era, in particular, Afrikaans-language businesses and educational institutions embraced an American model that made a Master's degree in Business Administration the quintessential management qualification. Rather than the post-*apartheid* era opening up a new era of business success, however, Verhoef identifies the emergence of a profound "crisis of management in South Africa," one that has seen the country "fully integrated into the African culture of corruption and ruling party nepotism." This development places at risk well-managed corporations, of which many have relocated their primary listings outside the country. Undoubted, Verhoef's assessments may solicit discourse, but no one can doubt that she brings to her analysis a lifetime of research and deep thought.

In his ► Chap. 48, "Management in the Middle East," which opens this Section of the *Handbook*, my co-Editor Anthony Gould explores similar themes to Verhoef. Across the decades since the emergence of national Arab states in the World War II, Gould traces a vexed relationship between an Arab society still wedded to traditional cultural and religious values and a modern global economy. In Gould's estimation, this vexed relationship is most pronounced in Saudi Arabia, where an attempted "Saudization" of private-sector businesses has produced "disappointing" results. In 2012, for example, only 13% of Saudi nationals were employed in privately-run businesses. Where Saudi citizens are employed in senior private sector positions they often play little or no effective role in the running of the business, instead owing their command of their job to government-mandated quotas. To a lesser degree, similar trends are identified in the United Arab Emirates, Gould observing that the functioning of the Emirates economy is largely entrusted to expatriates. As of 2011, Emirati nationals comprised only 4.2% of the workforce, a percentage that is unlikely to have grown significantly in the interim.

In our second chapter in this Section, ▶ Chap. 49, "Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861," I explore circumstances in Europe's Orthodox East, a region whose historical trajectory has differed significantly from that found in the adjoining West. Often overlooked by Western scholars, the Orthodox East has provided some of the most important societies in the human experience. For a thousand years, Byzantium not only provided a living link to the Greek, Roman, and Judeo-Christian worlds of antiquity, it also acted as the eastern gatekeeper for European Christendom. Among the societies that owed a cultural and religious debt to Byzantium, none was more historically important than Russia. Like Byzantium before it, Russia occupied a precarious geographical position on Europe's eastern flank, exposing it to invasion by nomadic horsemen. Like Byzantium before it, Russian society also possessed a deeply held belief in its own historic destiny, not only as a defender of Orthodox faith but also as the flagbearer of a culture and civilization that it felt to be superior to all others. Confronted with constant invasion and threats to its very survival, Russian society – like Byzantium before it – chose to give a primacy to communal solidarity and defense, organized around a strong centralized state. In both Byzantium and Russia, however, this centralized state proved as much a hindrance as an assistance in providing the resources necessary for societal advance and progress. For, in both Byzantium and Russia the survival and success of the society came to be associated with a social pact between the state and a militarized aristocracy, an alliance that marshalled economic and military resources by bleeding other sections of society. Invariably, social solidarity was prioritized at the expense of individual freedom, entrepreneurship, and private, commercialized endeavor.

The unique experiences of France are the focus of Peter Wirtz's ▶ Chap. 50, "Changing Corporate Governance in France in the Late Twentieth Century." As Wirtz notes, France differs from the free market model that has predominated in the Anglosphere in that the state has traditionally exerted considerable influence, acting as the perceived guardian of "social interest." Since the 1980s, however, France has witnessed a gradual weakening of the state's economic authority. It is the effect of this transition that is the primary focus of Wirtz's study. In Wirtz's account, the procedures that brought about the privatization of large swathes of the French economy "took on a very particular form, which would shape the face of French capitalism." In essence, the French state wanted a model of privatization that would ensure ownership remained in the hands of French, rather than foreign interests. Over time, however, the achievement of this goal proved increasingly difficult as Anglo-Saxon investors gained growing leverage over both individual firms and entire industries. In turn, Wirtz observes, the "massive arrival of foreign capital stimulated an intensifying debate over the efficiency of the French corporate governance system." In short, France has witnessed the progressive erosion of its own distinctive model of capital and management in favor of one that increasingly resembles the Anglo-Saxon norm.

A similar story, albeit with different outcomes, is the focus of Jørgen Burchardt's ► Chap. 51, "Flexicurity: The Danish Model." In a word of introduction it should be noted that *flexicurity* is the term used to describe Denmark's unique labor market, built around both employee security and firm flexibility. Initially a society characterized by low levels of employment protection, Denmark moved in a different direction in the early twentieth century as a result of the so-called "September Agreement" between organized labor and employer groups. As Burchardt's account records, across the course of the twentieth century Denmark witnessed a strengthening of employer-labor cooperation, a trend that witnessed not only a strengthening of labor market protections but also of joint management-employee representation bodies in larger workplaces. At the same time, Burchardt observes, "job security in the Danish labour market is low." There is also a high degree of work-time flexibility with work times negotiated locally. In summing up the Danish Model, Burchardt notes that it "provides security for employment, rather than job security." Instead of job security, Danish workers pay into a generous unemployment insurance scheme that provides up to 90% of a worker's previous salary, conditional on 12 months membership in the insurance scheme. Proof of the flexibility of the Danish system is found in the fact that each year around 20% of the workforce is affected by unemployment at some time. In tracing how the Danish system has coped with recent global economic pressures, Burchardt concludes, "The Danish Model is still alive."

If we look across our various chapters, a number of conclusions are evident. First, although France and Denmark have been central participants in the Western model of capitalism and management, they have each varied this model to produce a distinctive national system of corporate governance and/or labor market regulation. Somewhat surprisingly, the Danish system of *flexicurity* has proved more enduring than the French system. The second conclusion that we can come to is that in Africa and the Middle East as well a Western model of capitalism and management has prevailed within the formal economy, albeit a model that has come under increasing pressure in recent decades from interventionist governments, each intent on pursuing a social reform agenda. Our third conclusion stems from the Byzantine and Russian experience. Located on the eastern fringes of Europe, and subject to constant invasions, the Orthodox East has proved infertile soil for Western models of capitalism and management.

Cross-References

- ► Africa and the Firm: Management in Africa Through a Century of Contestation
- ► Changing Corporate Governance in France in the Late Twentieth Century
- ► Flexicurity: The Danish Model

► Management in the Middle East
► Managing Africa's Strongest Economy: The History of Management in South Africa, 1920–2018
► Pre-colonial Africa: Diversity in Organization and Management of Economy and Society
► Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861

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Management in the Middle East

48

Anthony M. Gould

For several years Professor Anthony M. Gould held professional jobs in Middle Eastern countries. Anthony dedicates this chapter to his father, Tony Gould Snr. Tony was a brilliant and extraordinary man. The day before his death he was imporving this text.

Contents

Abstract

This chapter is about management philosophy and practice in the Middle East. It argues that, unlike in other multi-country regions such as Europe or Asia, the Middle East does have a unique, distinctively non-Western, governance blueprint. In prosecuting its case, the chapter proposes that geographical conceptions do little to aid understanding the Arab world. Rather, the influence of Islamic history and the circumstance of oil discovery in the twentieth century is pivotal in creating a conception of the Middle East. This view deemphasizes jurisdictions and civic (secular) identity. The chapter examines three partially overlapping instantiations of the Middle Eastern management construct: the Kingdom of

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Saudi Arabia (KSA), the Gulf States generally (GCC), and the United Arab Emirates (UAE). It proposes that the first of these instantiations – which, in key ways, most approximates fidelity to Islam – is where the analyst can best appreciate the philosophical underpinnings of Middle Eastern management.

Keywords

Middle East · Management · Saudi Arabia · Gulf States · United Arab Emirates · Islam · Muslim · Religion · Prophet Muhammad · Oil · Petroleum · Arab Region

Introduction

The term "Middle East," although literally topographical in conventional usage, is not necessarily a reference to geography. Rather, in general parlance, it is common to employ the expression when communicating imprecisely about culture, language, and religious-orientation. Hence, it is unsurprising to find that, unlike for example when speaking of Europe or North America, there are both broad and narrow definitions in play. Broad views tend to be associated with fuzzy boundaries and sometimes invoke expressions such as Middle-East-North-Africa (MENA), South-West Asia, the Arabian Peninsula, or the Arab World. However, more focused conceptions put the emphasis squarely on distinct jurisdictions that obviously do have borders such as the Gulf States (GCC) of Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates (UAE), and Oman; the adjoining Islamic nations of Iraq and Iran; and elements of the Levant region, notably Syria, Lebanon, Turkey, and Egypt. Sometimes, geographically orientated definitions are enlarged under the influence of a specific guiding principle. For example, the North African countries of Morocco, Libya, Algeria, Tunisia, and Mauritania are mostly Islamic and therefore often counted as forming "part of the Middle-East." What is notable in each of these cases is that, in spite of its physical location, the nation state of Israel is typically not viewed as being within the region, prompting those in the popular media to sometimes use expressions such as "Israel and the Middle East," etc. (e.g., Musmar 2020).

For analytic purposes, it is noteworthy that the bulk of people living in the Middle East are dedicated adherents to Islam and the Muslim faith. To the extent that spiritual mores are causally prior to manifestations of lifestyle, values, and preferences, as authors such as Al Bahar et al. (1996) have argued, this kind of commitment likely will have workplace consequences, in particular. In the present case, these may include being more loyal to one's family than to an employer, not being especially committed to productivity but nonetheless attaching importance to material success and education and, valuing politeness and respectfulness more than candor and straightforwardness (Abdalla and Al-Homoud 1995; Al Bahar et al. 1996; Klein et al. 2009). There is empirical evidence for such a view of religious faith's pervasive secular influence. Specifically, to gain a comparative perspective on work and employment, Hofstede (1980) examined 53 countries from five continents. He proposed four dimensions of national culture that, taken together, give an overarching profile of individual nations or groups of nations (that share either common history or geography). Hence, depending on an object of analytic interest, the results of such pioneering research can be disaggregated in multiple ways. For present purposes, for his sample of Arab countries (which included Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, and the UAE), the following conclusions are germane. First, the Middle Eastern world has a large "power distance" (7th out of 53 countries), indicating that, within the region, there is a relatively high acceptance of wealth and influence inequality. Second, by comparison to other countries and regions, Arab people are ill at ease with uncertainty, a dimension he labelled "uncertainty avoidance." Third, the region has a "masculinity" score only slightly higher than the mean (in rank-order terms, the 23rd – out of 52 – of all countries/regions examined). This result, at least as interpreted by authors such as Waxin and Bateman (2016), suggests that, although much is often made of how Muslim women have limited rights and, in some contexts, restricted access and equity, such comparative disadvantage is principally due to the practice of Islam as opposed to non-religious cultural elements. Fourth, concerning the dimension of "individualism," Arabic society is relatively collectivist in its orientation and thus its citizens reveal especially close allegiance to, for example, their family/tribe. More recent research inquiring into the social and cultural character of the Arabian Gulf States has produced similar findings to those of Hofstede's. For example, Trompenaars and Hampden-Turner (1998) examined Bahrain, Egypt, Kuwait, Oman, Saudi Arabia, and the UAE. Somewhat like Hofstede (1980), these authors concluded that day-to-day Arabic life embraces, to varying degrees, Quranic values. Specifically, Muslim people are relatively universalistic, communitarianist (attach importance to community), affective, embodying of a diffuse view of life, ascriptive, have a synchronic time orientation (past, present, and future are not well differentiated) and substantially controlled, and constrained, by their belief structure (i.e., score highly on "internal control").

Insofar as its history is concerned, the Middle East is the birthplace of the first human civilizations including the Sumerians (now modern Iraq), the Babylonians, the Phoenicians and the Egyptians. It is where each of the world's three Abrahamic religions have their origins and where the last of these in particular, Islam, has become dominant, exerting a pervasive influence over consequential elements of public policy and governance. Aside from being bedeviled by tribal conflict and bloodshed, the long story of the Middle East is also associated with intellectual and technical sophistication, especially during antiquity. For example, archaeologists have recently discovered rock-engraved images in Shumway's (in North Western Saudi Arabia) indicating that, perhaps 8,000 years ago, locals were domesticating (and leashing) dogs and using them for hunting (Grimm 2018). Furthermore, there is compelling evidence that 7,000 years ago arable food production was taking place in the Levant, notably Mesopotamia and Egypt (Main 2013; Bowman and Rogan 1999). From the sixth century until the middle ages, the region was home to civilizations that used modes of mercantilism akin to industrial-age market-economies and had forged trading links with East Asia, Africa and Europe (Crone 1987). Enlightenment of such kind render expressions such as the "dark ages," in some respects, a Eurocentric construct.

In the modern era, economic and social development of subregions of the Middle East have been regulated by discovery of oil, and marred by military and tribal conflict and, since 1947 in particular, an uneasy relationship between Arabs and Jews. In the twenty-first century, these trends have continued with the proclamation of the world caliphate by ISIS (*Islamic State of Iraq and Syria*), the Arab Spring movement and the toppling of dictatorships such as Saddam Hussein's Iraq and the war in Syria. A consequence of such recent turmoil – one with employment relations and human capital implications – has been unprecedented levels of mass migration, especially from Syria, within the Middle East itself and into Europe (Matherly and Al Nahyan 2015; Singh and Sharma 2015). Such phenomena suggest that a fundamental ever-present influence on approaches to management in the region tend to be historical, a proxy term for religious. In this vein, in the current chapter, I argue that the starting point for appreciating the distinctive elements of Middle Eastern workplace governance is to note that it is not the region per se that is important for understanding but rather consideration of cultural affiliation and history. A consequence of such a thesis is that the student gains insight when they give special analytic attention to the Kingdom of Saudi Arabia (KSA), the birthplace of Islam and the quintessential Muslim country. Aside from its distinctive historical significance, Saudi Arabia is the economically largest (according to the IMF in 2018 its GDP was 1.9 trillion dollars and its per capita income 56,817 dollars) and most populated (30 million natives) of the Gulf States (or, what is commonly known as Gulf Cooperation Council, GCC, countries). Within the Kingdom, a patriarchal and conservative hegemony governs key elements of legal, civil, and political life. Since the discovery of oil in the 1930s and its fully-fledged commercialization in the 1970s, Saudi society has experienced structural changes that mirror elements of Western-style industrialization. These include the arrival of multinational corporations and the emergence of a vexing question concerning what to do about those locals who lack necessary skills to take on roles created within sectors of the economy concerned with extracting, refining and exporting petroleum products. In these circumstances, the Saudis have gingerly accepted immigrants; frequently experts from Western countries who have created something of a transient middle class, as well as unskilled workers to do domestic and menial chores. The majority of those in this latter category (the unskilled migrants) have mostly come from the Indian sub-continent, South Asia (e.g., the Philippines), and sub-Saharan Africa. Other Middle Eastern states, such as Kuwait, Bahrain, and Oman have, roughly speaking, typically followed a recent similar developmental trajectory to the Kingdom of Saudi Arabia (KSA). Successive administrations from these countries have not been able to well diversify their industries and thus diminish their economic reliance on oil. Similarly, due to a formalized commitment to Islam, they have been disinclined to act fulsomely on Western-style political and social reform agendas. Indeed, within these jurisdictions, there is mostly no clean separation of the practice of Islam and management of State-sponsored institutions. As such, throughout the Middle East, *Sharia* law undergirds public policy and is implicit – and sometimes formally explicit – in matters of worker superintendence and governance.

This chapter commences with a discussion of the Kingdom of Saudi Arabia (KSA), the Middle East's quintessential Islamic country. Its second section provides a general overview of work, employment, and management in Gulf Cooperation Council (GCC) countries. Its third section addresses these same content areas in the United Arab Emirates (UAE), perhaps the most divergent nation-State in the region.

The Kingdom of Saudi Arabia (KSA): A Blueprint for Islam, and Islamic Management

Little has been written about the theory and practice of management in Saudi Arabia in the modern era (Tlaiss and Elamin 2016). However, there is a measure of scholarly consensus that the subject cannot be understood – and may even be viewed as an outgrowth of – the country's distinctive approach to the practice of Islam (e.g., Mellahi and Wood 2001; Budhwar and Mellahi 2016). The present discussion therefore commences with an overview of the history of religion in Saudi Arabia. It briefly examines how a commitment to the faith's key tenets has become woven into the nation's approach to public administration and integral to certain of its state governance structures and processes, particularly those impacting law and the judiciary and relations between the sexes.

In December of the year 629, the Prophet Muhammad led a march of 10,000 of his converts from the city of Medina (then known as *Yathrib*) in what is now Saudi Arabia to Mecca, his birthplace and from where he had emigrated in 622 following rumors that he was to be assassinated if he stayed (Holland 2012; Serjeant 1964). The Prophet's influence following the *Hijra* (beginning of the Islamic calendar) in that year had been growing. While in exile, he had united disparate tribes under the constitution of Medina (Holland 2012; Serjeant 1964). Furthermore, he had chalked up impressive military conquests. For example, in what was to become the Battle of Badr, in March 624 he had planned a raid on a Meccan merchant caravan that was to commence with an ambush (Armstrong 1992; Rubin 1995). However, somehow the Meccans where tipped-off about the plot and dispatched a force to protect the caravan and then confront the Muslims. Though outnumbered more than three to one, the Prophet defeated his adversaries, killing at least 45 Meccans while limiting the death toll amongst his followers to only 14 (Hodgson 1974; Ramadan 2007). Moreover, he succeeded in massacring key Meccan leaders, including the influential *Abu Jahl* and in taking captives, many of who were later ransomed (Ramadan 2007; Rubin 1995). For an emerging spiritual leader, such spectacular conquests where seen by disciples as confirmation that they had chosen wisely. Indeed, it was becoming clear that Muhammad's earlier time of seclusion in the mountain cave, *Hira*, where the archangel Gabriel had visited him and his subsequent revelations from God that submission to Islam is the only way were now being coupled with superhuman feats (indeed, "Islam" – إ س ل ا – literally means submission in Arabic). In matters of war and conquest, the invisible group of guiding angels that the Prophet spoke of so eloquently when referring to his destiny were indubitably there to protect him (Rodgers 2012). To the chagrin of pagan non-converts, Islam was on the rise and leaving no room for disbelievers. In this vein, likely with the sanction of the Prophet himself, two of its detractors, *Asma bint Marwan* of the *Aws Manat* tribe and *Abu 'Afak* of the *'Amr b*. who had authored verses taunting and mocking Muslims were ruthlessly slaughtered by members of their own clan who had become new converts to the Islamic faith (Hodgson 1974; Ramadan 2007; Rubin 1995).

In spite of the bloodshed that occurred in the 7 years of intermittent fighting with Meccan tribes before Muhammad's return to the Holy city, most scholars conclude that the return itself went largely without incident (Berg 2003; Cook 1983; Hamidullah 1998; Motzki 2000; Musa 2008; Rubin 1995). Indeed, for reasons that are not fully clear, it appears that Meccan polytheists mostly converted voluntarily to Islam. There is also a measure of scholarly consensus that, following the Prophet's death and ascension to heaven on a winged horse in 632, previously warring tribes where largely united in a single Islamic polity (Berg 2003; Hamidullah 1998; Musa 2008). In the following decades, the Muslim faith spread from the Holy City of Mecca to beyond the Arabian Gulf as far east as modern Pakistan and west to the Iberian Peninsula. In fact, for hundreds of years following such expansion, at least until the early part of the twentieth century, the disparate tribal regions of Arabia were meagre and peripheral elements of the Muslim realm (Hamidullah 1998). During the period, although local Islamic rulers, known as the *Sharif of Mecca*, controlled the area, the world's most important centers of faith were in the empires of Baghdad, Istanbul and Cairo. However, for analytic purposes, it is worth reiterating that, the birthplace of Islam was the modern Kingdom of Saudi Arabia, a fact that has contemporary relevance. Specifically, as of 2015, 98% of the nation's inhabitants are Muslims and engage in practices mandated by the Quran (Budhwar and Mellahi 2016). These protocols are woven into the fabric of key elements of Saudi life, notably for the present discussion, those concerning the world of work and employment.

Abdulaziz (later known as Ibn) Saud, from the House of Saud, founded the modern Kingdom of Saudi Arabia in 1932. In a series of conquests, beginning in 1902 with the capture of Riyadh the ancestral home of Saud's family, the nation was formed through bringing together the regions of *Hejaz, Najd, Al-Ahsa* (Eastern Arabia), and *Asir* (Southern Arabia). As a single entity, henceforth the new nation-state was to be ruled, essentially, as a totalitarian monarchical dictatorship.

Although (and as mentioned) the actual figure is perhaps 98%, officially Saudi Arabia is a 100% Muslim country with approximately 75–78% of the population being Sunni and those remaining being Shia (Al-Rasheed 2010). The bulk of Saudi Sunnis belong to the ultra-conservative and puritanical *Wahhabism*, founded in the eighteenth century by Muhammad ibn *Abd al-Wahhab* (Al-Rasheed 2010). As an absolute monarchy, the nation has no political parties or national-level elections. However, according to Saudi edict adopted by royal decree in 1992, *Sharia* law, as stated in the *Quran* and exemplified by the deeds of the Prophet Muhammad in the *Sunnah*, is the nation's constitution and hence the basis of consequential decision making, especially in the judicial arena. Certainly, there do exist Royal decrees, particularly pertaining to labor management and commerce-related matters. However, these are mere regulations. As such, they are subordinate to *Sharia*

(Al-Rasheed 2010). Insofar as participation in decision-making is concerned, political influence in the Kingdom mostly boils down to consideration of tribal affiliation with a select few sheiks maintaining control over national governance and civic development. The prevailing Saudi system of tribal rule allows for adult males to petition the King through a meeting structure known as *majlis* (Tripp and North 2009). The media is forbidden from reporting about these kinds of deliberations (Tripp and North 2009).

The Economist (2012) rated the Saudi government as the fifth most authoritarian out of 167 rated in its 2012 Democracy Index, and Freedom House gave it its lowest "Not Free" rating, 7.0 ("1=best, 7=worst") for 2019 (FreedomHouse.org 2019). The nation is one of only eight from 56 that did not sign on to the 1948 United Nation's Declaration of Human Rights (it is noteworthy that six of these eight – then – Communist countries did not endorse the declaration because their representatives believed it should have more fulsomely condemned Fascism and Nazism). To provide further context, in 2008 *Human Rights Watch* raised concern that, although Saudi authorities introduced a criminal procedure code in 2002, its tenets are inadequate (at least by Western standards) and, in any case, are routinely ignored by the judiciary (Shoult 2006; Tripp and North 2009). Indeed, under the Influence of *Sunni* Islam, the Kingdom of Saudi Arabia (KSA) has gained a special reputation for its secretiveness, aggressive opposition to counter perspectives, and harshness. For example, since 2001 the country's Ministry of Media has engaged in widespread Internet censorship that focuses on identifying and banning websites with sexual content, those promoting non-Muslim ideology and ones critical of the nation's rulers (Freedomhouse.org 2018; Alisa and Issaev 2018; Albab.com 2001). As the *Quran* is the country's constitution, the primary source of its law is the Islamic *Sharia*. Unlike in other Muslim countries, the *Sharia* is not coded in Saudi Arabia. Moreover, the nation does not have jury trials and judicial precedent does not constrain the scope and severity of sentencing decisions (Human Rights Watch 2008; Shoult 2006; Tripp and North 2009). In criminal matters, defendants are assumed a-priori to be guilty and may be beaten or tortured until they confess (Human Rights Watch 2008; Shoult 2006; Tripp and North 2009). They are typically not given access to legal counsel, not necessarily informed of the crime they are accused of committing, and not given opportunity to examine witnesses or present exculpatory evidence (Human Rights Watch 2008).

Most criminal trials within the Kingdom of Saudi Arabia (KSA) are conducted secretly (Miller 2003; Human Rights Watch 2008). In practice, judges are inclined to follow what is known as the *Hanbali* School of jurisprudence (Hefner 2011). In so doing, they routinely resort to a literal interpretation of the *Quran* and *Hadith*. By Western standards, they are prone to being lenient, for example, in the way they deal with crimes committed against women such as wife beating or sexual assault by men of influence (The Economist 2001, 2007). However, they are often excessively harsh in the penalties they impose for transgressions that have overt religious connotations (beheading for witchcraft for example) (The Economist 2007). In the twenty-first century, punishments meted out by Saudi courts include stoning to death (mostly inflicted on women judged guilty of adultery), amputations (usually of the hand for theft), lashings (often for neglect of mandated prayer and fasting obligations during the holy month of Ramadan), and forms of crucifixion (Miethe and Lu 2004; di Giovanni 2014; Human Rights Report 2007, 2008, 2009, 2010). Homosexual acts are routinely punishable by floggings or execution (Human Rights Report 2007, 2008, 2009, 2010) and Atheism or, more precisely "*calling into question the fundamentals of the Islamic religion on which the country is based*" is viewed by the judiciary as akin to terrorism and dealt with accordingly (The Independent 2014). Similarly, apostasy or conversion from Islam, is forbidden in Saudi Arabia and punishable by death (Miethe and Lu 2004; Human Rights Report 2007, 2008, 2009, 2010). Retaliatory punishments, for example, surgical removal of eyes, or *Qisas*, have occurred within the Kingdom since the year 2000 (Human Rights Report 2007, 2008, 2009, 2010; Miethe and Lu 2004; The Washington Post 2008). Another theme of *Sharia* protocol is strict separation of men and women, and puritanical approaches to relations between the sexes (Miethe and Lu 2004; Tripp and North 2009). For example, public places in Saudi Arabia are gender segregated and non-married men and women are forbidden from dining together. In 2018, a man was taken into custody by Saudi police for the crime of appearing in a film where he was having breakfast with a woman who was not his wife in the hotel where they both worked (CNN 2018a).

Consistent with Saudi-style approaches to the management of civil disobedience and malfeasance, it is perhaps axiomatic that open protest against the government or the country's Royal Family, even if peaceful, is forbidden (The Peninsula 2011). For example, in January 2016, Saudi authorities executed the Shia cleric Sheikh Nimr who, as a proponent of democracy, had called for elections in the country (The Guardian 2016). In a similar vein, although details are sketchy at the time of writing, there is credible evidence that, on 2 October 2018, journalist and Washington Post columnist Jamal Khashoggi was tortured to death inside the Saudi consulate in Istanbul (BBC.com 2018; CNN.com 2018b). However, in spite of such recent incidents, in the last decade, it is noteworthy that the rule of the *Al-Saud* has faced intermittent opposition from circumscribed sources including, *Sunni* Islamic activists, liberal critics concerned mostly with a Western-type construct of human rights, the *Shi'ite* minority (particularly in the Eastern Province), and long-standing tribal and regionalist particularistic opponents (for example in the *Hejaz*). The minority activists have been the most conspicuous threat to the *Al-Saud* regime and, in recent years, perpetrated violence (The Atlantic 2015).

The Saudi Arabian economy – unambiguously a command economy – is heavily dependent on the export of oil and petroleum products with more than 80% of public revenue and 55% of GDP, derived from this source (Jadwa Investment 2017). In the last several decades, successive Saudi administrations have indicated varying degrees of disquiet about the nation's narrow industry base and instituted diversification-related reforms. Much of this emphasis has concerned preparing the Saudi workforce for a labor market that is better integrated into the global economy. In practical terms, educational transformations have been a central part of the agenda. Indeed, since the discovery of oil in the Middle East in the 1930s and its full-scale commercialization in 1941 commencing under the (then) supervision of the US-controlled *Aramco* (Arabian-American Oil Company), vocational training has played a special role in the development of the region. In the case of Saudi Arabia, with the emergence of oil extraction and refinery industries, it became clear that the country's growing demand for specialized skill and expertise could not be met by locals who had mostly come from backgrounds as Bedouin fishermen (Tlaiss and Elamin 2016). Furthermore, throughout the middle decades of the twentieth century, a large public infrastructure, including schools and emergency services facilities, was created. As a consequence of such influences, Saudi Arabia (and the other Gulf States), has come to have something of an imported and ephemeral middle class of professionals while simultaneously wrestling with how best to prepare its own people for more demanding jobs. Moreover, Saudi Arabia has had one of the highest birth rates it the world. As a result, at least 60% of its population is under the age of 21 as of 2013 (Jadwa Investment 2017). Authors such as Ramady (2010) and Tlais and Elamin (2016) have observed that successive administrations have failed to adequately deal with the challenge of providing fulfilling jobs to young people and the youth unemployment rate is, at least, 30%.

In spite of inadequate work opportunities for young Saudi men in particular, it is noteworthy that, due mostly to the influence of Islam, the nation is decidedly stratified, patriarchal, high on power distance and – at least by Western standards – oppressive towards women (Mellahi 2006, 2007). In practice, economic prosperity is largely the preserves of the male population and mediated by access to power (*wasta*) and the kind of work in which one is engaged. As is often the case throughout the Middle East and Central Asia, locals view low status occupations to be those that are technical or manual in nature and typically consign them to immigrants (Achoui 2009; Tlaiss and Elamin 2016). There is evidence that Saudi men often shun the idea of applying for a job, viewing this form of approach as admission that they are not well connected (Harry 2007; Tliass 2013). Hence, within banks, investment firms and a large public sector, it is common for HR departments to avoid incurring the disapproval of family-based power networks. As such, these institutions often devote resources to managing a continuous inflow of unsolicited job applications and to creating superfluous positions for young males (Al-Asfour and Khan 2014). What emerges is often a two-tiered HRM system, one for local men and another for expats. Consequently, expatriates invariably must not only stand second in line to locals when it comes to the plumb jobs but, in a formal sense, are typically employed using a visa permit system that gives their Saudi employers control over key elements of their work including duration of their contract (Elamin 2012). Hence, in practice, they mostly cannot change jobs without their boss's endorsement and have little bargaining power. Such discriminatory conditions have prompted human rights watch groups to speak out on behalf of low-skilled foreign workers in the Kingdom of Saudis Arabia (KSA) (Mellahi 2006, 2007). In recent times, the late King Abdallah responded somewhat to such criticism. Through his "Vision" project, he granted foreign workers and women in particular more rights and freedoms. Even more recently, King Salmon doubled-down on a commitment to such initiatives. He also reiterated that, to avoid civil unrest, it is necessary to continue to focus on the role of education in preparing the national workforce.

Such an emphasis on training is present in his expansionary budgets of 2016 and 2017. Concomitantly, the King has indicated that he views wealth redistribution as a key element of a future reform agenda and signaled, with several recent cabinet changes, increasing interest in the opinions of younger Saudis (Tlaiss and Elamin 2016).

Administrative recognition that within Saudi Arabia there are distinctive labor-related problems has a history that began several decades ago. Indeed, in 1994 the Saudis formally identified national work and employment-related concerns and proposed strategy for their amelioration (Atiyyah 1996; Al-Harbi 1997). As noted, the Kingdom has had a decade's long problem pertaining to high levels of local unemployment, particularly youth unemployment. As a partial remedy, it has created a bloated and inefficient public sector (Ramady 2010; Tlaiss and Elamin 2016). Concomitantly, the nation's private sector has mostly employed foreigners, particularly to carry out high-skilled jobs. In the 1990s, following formal identification of structural imbalances, authorities devised a strategy known as Saudi-nationalization or Saudization (Atiyyah 1996; Al-Harbi 1997). At the time, and ever since, this agenda has been concerned with establishing private-sector quotas for local hires. The quotas system has been implemented in tandem with a long-term development initiative based on tailored vocational training that aims to equip resident job seekers with industry-relevant expertise. Hence, Saudization has been something of a work in progress (Tlaiss and Elamin 2016). For example, in 2007 authorities renewed their commitment to creating a private sector that would reduce, and eventually eradicate, unemployment. Ultimately, Saudization became subsumed in the late King Abdullah's aforementioned progressive "Vision" project which broadly addressed, not just skills shortages, but also economic diversification and expansion of the private sector. As of 2013, 25% of the nation's public expenditure was devoted to education of one kind or another. Another element of the "Vision" project is the *Hafiz* initiative (2011) which has seen the establishment of employment centers, job fairs, job-search websites, etc. (Al-Asfour and Khan 2014; Tliass and Elamin 2016).

Insofar as the success of Saudization is concerned, key indicators are disappointing. For example, by 2012, only 13% of locals were employed in the nation's privately-run industries (Al-Asfour and Khan 2014). In the 5 years prior to 2017, local unemployment never dipped below 10% and, overall, 60% of the country's workforce is made up of expatriates (Jadwa Investment 2017). Ramady (2010) proposes that a key reason why employers favor a strategy of importing labor is purely economic; in essence it is mostly the case that foreign workers receive lower wages than their local counterparts (an issue to be further discussed). Adding to the malaise is the phenomenon of "ghost workers." Specifically, the *Nitaqat* program of 2011 mandated that Saudi employers meet hiring quotas for locals. There is evidence that managers of more profitable firms holding negative stereotypes of young Saudi males, will nonetheless hire them, pay them a salary, and ask them not to come to work (Al-Asfour and Khan 2014). In so doing, they are able to report that they have met their quotas and cultivate relationships with families of influence and key officials.

Saudi Arabian religious conscientiousness and fidelity to Islam, at least as judged by Western standards, is associated with discreetness. This stance, uncompromising commitment to faith as practiced privately (or at least in a way that is not amenable to international scrutiny), creates much of the context for a distinctively Saudi approach to management. The opaque nature of Saudi management has been noted by Afiouni et al. (2013) and Tlaiss and Elamin (2016). These authors observe that, although it is possible to generate a statistical portrait of macro-level features of the nation's economic, cultural, religious and legal circumstances, little of substance is known about, for example, its HRM practices or their philosophical underpinnings. Indeed, they conclude that knowledge about Saudi management was "*almost non-existent until early 2000.*" (Tlaiss and Elamin 2016, p. 148). In this same vein, Afiouni et al. (2013) searched Emerald and Scopus databases using descriptor terms including *human resource management*, *personnel*, *Islam*, *Saudi Arabia*, *GCC* and *culture*. This effort produced merely 23 articles published between 1996 and 2006. It turned out that these mostly concerned the GCC and Levant regions generally. Such a dearth of knowledge has been addressed, somewhat, in recent decades. For example, in Budhwar and Mellahi 2007, Budhwar and Mellahi guest edited a special edition of the *International Journal of Human Resource Management* (*IJHRM)* that focused on people management practices in Middle Eastern countries. In the same journal, Afiouni et al. (2014) edited a more recent special issue on a similar topic. In 2010, Mellabi and Budhwar oversaw a special issue of *Personnel Review* entitled "Islam and HRM."

Notwithstanding the dearth of scholarship addressing employment relations and management-related phenomena in Saudi Arabia, the aforementioned recent effort (in the form of regionally focused special issues of scholarly journals, etc.) has produced some notable insights. First, concerning compensation, by Western standards Saudi employees have restricted input into the design and implementation of pay and recognition structures (Ramall et al. 2011). Also, somewhat at odds with how things are done in the Western world, at least in recent decades, employee benefits in Saudi Arabia are typically based more on seniority than merit (Mellahi and Wood 2001; Tlaiss and Elamin 2016). Whatever the case, wages and salaries within the Kingdom typically are not regulated by external points of reference such as pay scales or formally sanctioned industry/sector benchmarks (Tlaiss and Elamin 2016). Second, Elamin (2012) found that perception of the nonfinancial elements of organizational justice, once again at least in comparison to the West, have a decisive impact on employee commitment and productivity. In practice, for example, it appears that Saudi employees will have higher productivity if they consider that their employer is treating them "fairly" in matters pertaining to non-pecuniary recognition. Indeed, the psychological contract between employers and employees, broadly conceived, seems more important than financial rewards when it comes to engaging and retaining Saudi local talent (Budhwar and Mellahi 2016). With respect to the Middle East as a whole, Aon-Hewitt (2011) identified the factors of "career growth" and "learning and development" as more consequential than "pay and benefits" when seeking to improve employee engagement and retention.

Insofar as strategic HRM in Saudi Arabia is concerned, Tlaiss and Elamin (2016) undertook a recent exploratory project drawing on 11 semi-structured anonymous interviews with HRM managers of private sector firms operating in Riyadh, Jeddah and Mecca (obtained using a snowball sampling strategy). Not published in one of the aforementioned journal special issues, these authors give unprecedentedly textured insight into matters such as recruitment and selection and training and development. In relation to the former of these elements, recruitment and selection, line managers have divergent views about whether Saudization is a good thing. By way of preamble, there was consensus that two employment regimes applied, one for locals and one for expats. Interviewees were also typically well aware of the associated quota system for Saudis, a system that they mostly viewed as their responsibility to implement. However, in some instances, managers said they viewed two regimes as unduly burdensome whereas others indicated that they saw it as a creative development agenda. Of those who were critical of the bifurcated labor market, some commented negatively on the role *wasta* (roughly translated as "nepotism") plays in Arabic society. These same managers also often indicated that, compared to expats, Saudis are less inclined to use official channels to secure employment. For example, they are often loath to submit their CVs online or write customized letters for specifically identified and advertised jobs. In relation to training and development, Tlaiss and Elamin (2016) found that Saudi firms rarely have in place an integrated long-term strategy. Rather – and perhaps surprising given the emphasis of King Abdullah's "Vision" project – on-the-job training is mostly relegated to low priority status, typically done on an ad-hoc basis and rarely associated with either formal needs analyses or Western-style evaluation protocols. Somewhat controversially, the researchers concluded that expats are more enthusiastic about training opportunities than their Saudi-local counterparts. This latter group, the Saudi workers, were described by the study's participants as possessing a sense of entitlement and as being unduly mindful that, for them, Saudization represents employment and economic security (Tlaiss and Elamin 2016).

Managing in the Arabian Gulf States: The Influence of History

As with Saudi Arabia, within the Gulf Cooperation Council (GCC) region overall there has been high levels of economic growth since approximately the 1970s. Moreover, the population rate of increase amongst GCC member countries in the 50 years since 1950 has been higher than any other region in the world; rising from four million in 1950 to over 40 million in 2000 (Kapiszewski 2000). Insofar as work and employment is concerned, several of the challenges that are present in Saudi also exist elsewhere in the Middle East. Such difficulties arise mostly due to an over-reliance on expatriates to do skilled tasks and an associated need to create meaningful job opportunities for locals. To address these problems, two elements have been integral to public policy; substantial investment in vocationally orientated education and the notion of quota setting for locals employed in the private sector. These components are part and parcel of Bahrain's *Vision 2030*, Qatar's *Vison 2030*, Oman's 5-year strategic plan, Kuwait's development plan, and the UAE's *Strategy 2011–2021*.

Within the GCC, unemployment has been unremittingly high for decades. This has been especially so for the youth labor market, perhaps not surprising in a *milieu* of overall rapid population growth. In GCC region countries in the first decade of the twenty-first century, aggregate unemployment for all nationals has hovered around 10%, and been jammed persistently at around 17% for 15–29-year-olds (Forstenlechner and Rutledge 2010). As is the case with Saudi Arabia, the GCC labor market has two idiosyncratic characteristics. First, locals prefer public to private sector jobs. In this regard, it is common for young males, in particular, to turndown industry opportunities and wait for more lucrative government work (Waxin and Bateman 2016). Second, the participation of women in GCC country labor markets remains low by OECD standards. For example, in 1975 women represented a maximum of 8% of the nonagricultural workforce (Willoughby 2008). Between 2005 and 2008, this figure, which is an aggregate for nationals and expatriates, was generally in the mid-30s (28% in the UAE, 30% in Bahrain, 35% in Qatar, 25% in Oman, and 51% in Kuwait) (Shehadi et al. 2011). Most national women who hold jobs in the GCC are employed in the public sector (Shehadi et al. 2011).

As with Saudization, within other GCC countries, a need to better prepare locals for cutting-edge work within the private sector has shaped public policy as well as management philosophy in recent decades. According to Waxin and Bateman (2016), administrations within the region have implemented localization initiatives of three kinds. First, there has been reform in the education sector. In this regard, until the 1980s Middle-Eastern Secondary schools focused much of their teaching effort on such things as the study of Arabic and Islamic culture, history, and traditions. Hence, vocational training, to the extent that it occurred, was typically carried out on the job. To remedy the "training relevance" problem several strategies have been implemented including: engaging leading international providers in consultancy roles (such as the *Rand* Corporation to update school curricula, etc.), increasing resource allocation (i.e., enhancing education budgets), and permitting leading Western universities to establish local satellite campuses (e.g., Qatar's Education City or Dubai's Academic City) (Waxin and Bateman 2016). Second, there has been an emphasis on economic diversification. In this regard, success has been patchy but has occurred, for example, with State run enterprises created intentionally to employ nationals, particularly in Dubai (Speiss 2010). The finance and banking sectors have also established themselves throughout the GCC as a bastion of employment for locals. Third, there have been forms of direct labor market intervention. As noted, in practice this has mostly boiled down to imposing quotas for local hires. For example, Forstenlechner and Rutledge (2010) point out that, in Kuwait, bank executives must ensure that 50% of their workforce is comprised of locals and Saudi authorities have mandated that certain jobs be made available only to locals.

Somewhat like Saudi Arabia, management practice within other GCC countries has been shaped principally by contextual elements such as commitment to Islam and the aforementioned, perhaps more pressing, challenges arising from mismatch between private sector skills shortages and locally available talent. Employers, at least passively, have often resisted government edicts concerning this matter. For example, Scott-Jackson et al. (2014c) found that, within the United Arab Emirates (UAE), firm executives often view GCC-based job applicants somewhat contemptuously. Specifically, they typically perceive locals as unduly motivated by money. In a survey addressing this matter, Waxin and Bateman (2016) found that less than 10% indicated that they believed Middle-Eastern Muslims want to help society and none of them indicated that such locals want to contribute to the country's development. Forstenlechner (2010) delineates three hurdles concerning the recruitment of UAE nationals which (in order) are: reticence on the part of employers to lower selection standards, creation of applicant pools of sufficient size, and an overabundance of resumes from newly-minted graduates who have never held a job and therefore cannot be well differentiated. Insofar as the practice of training and development-related activities is concerned, authors such as Scott-Jackson et al (2014b, c, d) note that there are two kinds of private firms operating within GCC countries: those that are exclusively quota-focused, and others that go beyond compliance and, for example, use talent management techniques to develop locals for leadership roles. In the same (multi-document) body of research, the authors report mixed results concerning the efficacy of modes of delivery of training, with firms operating in the UAE, for example, generally using ineffective strategies (e.g., classroom-based instruction) as opposed to instruction that is appropriately embedded in a workplace context (e.g., on – the-job delivery techniques).

To combat the problem of employee turnover of qualified locals, and to ensure that progress with state-imposed quotas is not compromised, firm executives operating within GCC countries are inclined to view employee engagement as a more consequential family of strategies than those pertaining to training (Scott-Jackson et al. 2014a). In a comparative study, which used surveys (4,599) to assess the relative difference in workplace commitment among expats, and locals, Singh et al. (2012) scrutinized 40 firms operating in the UAE, Qatar, and Bahrain. Their principal finding was that GCC nationals were less engaged with their job than expats (50.8% vs. 56.9%). They further noted that men were more engaged than women (57.3% vs. 49.7%) and, perhaps axiomatically, that female nationals were the least engaged (48.4%). The same authors also found that, through the middle decades of a lifespan/career (i.e., 25–45-year-olds) engagement drops to its lowest ebb. To appreciate these results some context is necessary; specifically, Aon-Hewitt's worldwide scores on workplace engagement place the Middle-Eastern cohort data as representative of the least impressive in the world. The authors who undertook the research (i.e., Singh et al. 2012) give clues about why this is so, specifically why there is a high differential in levels of engagement between locals and expats. They note that 65% of locals indicated that their national and religious identity "strongly" or "very strongly" influences their approach to work, a result approximately twice that of expats.

Related to employee commitment and engagement is the question of turnover. Within the Middle East, and taking account of international industry norms, this is typically high for both locals and expats. For example, in the UAE private sector, across the board for locals engaged as professionals, turnover is at least 60% (AMEInfo 2007). Forstenlechner (2010) has suggested that this is mostly due to culture. Specifically, many nationals are not interested in occupying non-managerial roles within firms. As such, if they are not engaged initially in a management job, they will soon leave if their status does not change. The problem is exacerbated in circumstances where there is inadequate training and development and in instances where those in authority are not influencing employee expectations (Ali-Ali 2008). Moreover, low levels of workplace commitment and ensuing high degrees of turnover intention (and actual turnover) are also likely due to the possibility that, to develop a career within Middle Eastern firms, one is often required to relocate (Forstenlechner 2010).

When writing about employment relations practices in OECD countries, particularly when approaching the subject matter from an historical perspective, it is conventional to devote attention to the circumstances of women in the labor market and public policy measures aimed at remedying their systemic disadvantage. Insofar as the Middle East is concerned, Al-Lamki (1999, 2000) and Metcalfe (2007) have noted that problems faced by women in the region who aspire to take on management roles are similar (but mostly of greater magnitude) to those faced by their Western counterparts. For example, Metcalfe (2007) scrutinized the experiences of professional women in the Gulf State of Bahrain. In examining both locals and expats, she concluded that the key barriers to their career advancement were (in order of importance), a patriarchal culture (76.5%), few female role models (72.5%), child-related family commitments (62.7%), stereotyped perception of women managers (60.8%), limited training opportunities (56.9%), and other family commitments (37.3%). However, somewhat unlike is the case in the West, Metcalfe (2007) also concluded that these problems are mostly not dealt with through public or organizational-level polices. For example, she observed that GCC firms typically do not have formal strategies addressing equal employment opportunity, mentoring for women, sexual harassment, and work-life balance. She also noted that the aforementioned problem with a paucity of workplace relevant training and development opportunities is especially acute for women. Metcalfe's (2007) overall conclusion concerned the influence of Islam in Middle-Eastern workplaces and, in particular, its "equal but different" view of the sexes and the implications of such a view for equity, inclusion and career advancement.

The United Arab Emirates: A Bridge to the Western World

In 1972 the United Arab Emirates (UAE) was formed as a consequence of a formal agreement struck between seven loosely confederated sheikdoms on the North-East horn of the Arabian Peninsula; Abu Dhabi, Dubai, Sharjah, Ajman, Um Al Quwain, Ras Al Khaimah, and Fujairah. In the decades since, the UAE has established itself as the Middle East's most developed – and Westernized – economy. Driven initially by its substantial oil and gas reserves, mostly around Abu Dhabi, it has achieved relative success in recent years in diversifying its economic base such that, by 2012, it had a per capita gross domestic product that ranked it the 15th largest economy in the world (Waxin and Bateman 2016). Today, the UAE has one of the most sophisticated and high-tech public infrastructure systems on the planet, comprising arguably the world's best sea ports, airports and internal transport facilities (including a flying "drone" taxi service that is being rolled out at the time of writing). Dubai, to the North of Abu Dhabi, has become an international trading hub (bosting two of the largest and most hi-tech shopping malls in the world, *the Dubai Mall* and *the Emirates Mall*). The city is also a global center for financial and banking services and emerging as an iconic Western tourist destination (with world-class theme parks such as *Atlantis* and, soon, *Dubailand*; with a projected cost of more than 65 billion dollars, possibly the most ambitious leisure development ever conceived).

Although Emirati life has identifiable links with Islam and traditional tribal mores, culturally the modern UAE has emerged as more similar to Western countries and, in so doing, diverged somewhat from other Middle-Eastern States (Afiouni et al. 2013; Zhao et al. 2012). Perhaps partly due to such similitude, more has been written about management practice in the Emirates than elsewhere in the region (Afiouni et al. 2013).

As is the case throughout the Middle East, the UAE private sector relies heavily on the contributions of expatriates, particularly professionals from Western countries with management skill and technical expertise (notably the UK, Australia, the USA, and Canada), and has a dual labor market (Fasano-Filho and Goyal 2004). Insofar as unskilled and semiskilled workers are concerned, those from low wage countries, mostly on the Indian sub-continent (India, Pakistan, Bangladesh, Nepal, and Sri Lanka) comprise about 60% of the nation's inhabitants and are engaged in construction and service-related and other trade-based industries (Al Bayan 2008). It is noteworthy that Emirati nationals comprise only 11.6% of the country's total population at any given time and a mere 4.2% of its workforce (Forstenlechner and Rutledge 2010). In both the public and private sectors, local employees typically enjoy more privileged conditions than expats, including, for example, mandated higher wages, shorter working hours, and guaranteed job security. The UAE work visa system unambiguously gives substantial negotiating advantage to the employer. For example, employees may only change employers with a letter of "no-objection" from their prior sponsor (Waxin and Bateman 2016). However, notwithstanding such institutionally based power and negotiating lopsidedness in the employment relationship, the country's heavy reliance on foreigners places special burdens on HRM departments, particularly concerning such matters as diversity management, government liaison, and workforce integration.

As with the region generally (and as noted), public policy in the UAE has emphasized the importance of education and talent development for several decades. Associated with such a focus is a formal government commitment to, so-called, *Emiratization* based on the three pillars of educational enhancement, economic diversification, and labor market regulation. However, once again as elsewhere in the Middle East, there is evidence that training initiatives, in particular, are not effective in preparing Emiratis for working life. For example, authors such as

Randeree (2009) provide data indicating that the nation's high school and college graduates typically lack industry relevant skills, Ali-Ali (2008) and Randeree (2009) conclude that they have sub-standard English, and Rees et al. (2007) and Forstenlechner (2010) observe that, in a relative sense, they mostly lack vocational motivation. Perhaps even more revealingly, Vazquez-Alvarez (2010) found that the relatively few Emirati locals who enter the workforce, typically do so with one to two more years of schooling than that of comparable expatriates but manifest skill and knowledge that is about one to two years behind this reference cohort. Forstenlechner and Rutledge (2010) highlighted that the preamble to the government reform agenda, known formally as "*Strategy 2010–2020,*" indicates that 94% of students entering one of the country's national universities require at least one remedial course.

Given the persistence of some of the aforementioned dysfunctional aspects of the nation's labor market, it is perhaps unsurprising to find evidence that, compared to the West, HRM departments in UAE-based firms and within the public sector (or more precisely the executives who administer such units) do not have the status of strategic partners (Yaseen 2013). Indeed, these organizational elements mostly focus on process-related tasks (Yaseen 2013; Scott-Jackson et al. 2014a). Another (related) conclusion from these studies is that managers struggle to establish, and make use of, HRM systems; a problem that appears to be due to something of a chasm concerning what HR executives and those with core operational responsibilities consider to be important. In this vein, Scott-Jackson et al. (2014a) found that when HRM and operationally focused executives within the UAE were each asked to assess performance on orthodox elements of people management, the HRM managers gave consistently higher appraisal ratings than their operationally orientated peers. The authors noted that, although this kind of finding is somewhat universal, its relative magnitude is disproportionately large in the GCC region, including especially, in the UAE. More recently, authors such as Budhwar and Mellahi (2016) have concluded that, comparatively speaking, the UAE private sector has a persistent problem concerning not being able to well align HR strategies with broader organizational goals and priorities. Consistent with this malaise, Scott-Jackson et al. (2014a) has examined data pertaining to the training of HRM professionals and found that within the GCC region generally, and the Emirates in particular, human resource practitioners are often inadequately qualified.

Conclusion: The Influence of Islamic Management in the non-Islamic World

There is a paucity of scholarship concerning the practice of management in the Middle East. Indeed, much of what is known about the topic must be inferred from, in particular, public policy priorities, priorities that are influenced by both Islamic values and the jinx that comes paradoxically with having an abundance of natural resources. In these circumstances, it is perhaps no coincidence that the most socially and culturally shut-off nation-State in the region, the Kingdom of Saudi Arabia

(KSA), is also the one whose work and management philosophies have received the least scholarly scrutiny. In the same vein, the region's most open and outward looking country, the United Arab Emirates (UAE), is the jurisdiction, about which, most has been written. Despite such an analytic differential, Middle Eastern work, employment and people management has discernible generic characteristics. For example, in a contemporary global environment where public policy is increasingly deemphasizing the use of fossil fuels and where, as a finite resource, Arabian Gulf oil supplies are dwindling, nation-States in the region have been mostly unsuccessful in diversifying their economic base. Associated with this problem has been that – aside from being exporters of their product – the same countries have not well integrated themselves into the world economic system (with the partial exception of the UAE). Simultaneously, Middle Eastern public sectors have become bloated bureaucracies; largely acting to abate unemployment amongst locals who are unsuitable for private sector jobs and, in any case, only disposed to accept high-status managerial postings. Furthermore, these same public sectors have played key regulatory roles; in more extreme cases in relation to the uncompromising enforcement of distinctively Quranic tenets however, more typically, to preserve civic decorum and maintain a culture of politeness and respect for Islamic institutions (but – as Ali and Al Kazem 2006 note – not necessarily fully manifesting a commitment to the faith).

In a context of massive population growth over the last 70 years, the Middle East has also had persistently high rates of unemployment, particularly amongst young people. This problem has been met with various nationalization initiatives. These have been based principally on quotas for locals in the private sector, educational reform, and top-down "forced" industry diversification. Overall, such agendas have not been especially successful. However, they have been consequential in creating a distinctive Middle-Eastern approach to work and management. A key element of the approach is that it invariably – and formally – establishes a dual labor market based, not for example on the Western construct of flexibility (core vs. peripheral workers, etc.), but on privilege (locals vs. expats). Furthermore, even among locals, an often-sophisticated workplace pecking order is ensconced in the employment culture. Authors such as Mellahi and Budhwar (2006) have developed a portrait of this archetype. They characterize the typical Middle-Eastern workplace as high on power distance and, thus, as an arena where executives engage in limited delegation. They view the locally based hierarchical system of privilege as one sustained by a distorted, somewhat partial, commitment to Islam. Specifically, they consider that many locals are more loyal to their family and friends than they are to their employer. As such, although those with *wasta* cut bureaucratic corners, they also thrive through relying on inequitable criteria for such things as recruitment, promotion and compensation. Indeed, the word "*wasta*" quickly becomes part of the vocabulary of those who work in the region (as in, *he is being paid more/has more weeks of vacation*, etc., *because he has* "*wasta*"). Another (related) element of working life in Middle Eastern countries is the notion of "*shura*" (Ali 2004; Mellahi 2006). This construct, distinctively Quranic but mostly only partially embraced (e.g., Ali and Al-Kazemi 2006), concerns an ancient Arabic tendency for consensus-style decision-making taking account of respect for authority and age, as well as patriarchal (as opposed to institutional) commitment to employees and society (in countries like Kuwait and Saudi Arabia).

A final point about Middle Eastern work-related stratification concerns women. Specifically, occupational power structures, based on affiliation and wealth, are typically intertwined with a crosscutting dimension of inequality: gender. Indeed, and as noted (e.g., Hofstede 1980), mostly due to the influence of the faith, females in Arabic countries experience some of the same institutional work-related impediments as their Western sisters, albeit often in heightened form. In practice, they are largely excluded from being given a seat at the important tables, whether such tables be in the boardroom or the executive office.

In 1492, Christopher Columbus discovered the new world of the Americas whilst ostensibly *en route* to India. His passage – via the west – was both uncharted and unorthodox. Rumor has it that he proceeded the long way because he wanted to avoid being embroiled in Middle-Eastern conflict. Up until the twentieth century, and indeed into the twenty-first, Columbus's concern – and his apparent perception of the region – has remained widespread. However, aside from its reputation as a place of turmoil and score settling (perhaps a somewhat strawman view), in modern history, the Arab world has seen momentous renovation. Specifically, in the 1930s, it transitioned from being a largely preindustrial arid region marked generally by comparatively low standards of subsistence living and recurrent tribal skirmishes, to being a place of affluence and high income, albeit with associated ramped inequality. In parallel with this shift, the area's population grew more rapidly than anywhere else in the world in the 50 years until 2000. Unambiguously, it was the discovery and commercialization of oil and petroleum-related products that made possible such metamorphosis. However, in the twenty-first century, the good fortune brought by liquid gold has proved to be something of a mixed-blessing for the Arabian Gulf. Obviously, oil brings prosperity (but not necessarily shared prosperity). In the case of the Middle East, particularly recently, it has also come with work-related challenges. Commitment to Islamic values has influenced – but only influenced – the way administrators have coped with these trials. In this regard, it is worth remembering that Islam, like the other Abrahamic religions, survives because it embodies profoundness. However, insofar as its application in the world of work and employment is concerned, the student should remember that ordinary people distil and apply religious doctrine. As mortals, they are by definition, not the Prophet and thus inevitably fall short in applying his wisdom.

Cross-References

▶ Africa and the Firm: Management in Africa Through a Century of Contestation
▶ Changing Corporate Governance in France in the Late Twentieth Century
▶ Different Experiences: Europe, Africa, and the Middle East – An Introduction
▶ Flexicurity: The Danish Model
▶ Managing Africa's Strongest Economy: The History of Management in South Africa, 1920–2018

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► Why Entrepreneurship Failed to Emerge in "Developing Countries": The Case of Colonial Africa (1952–1972)
► Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861

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49 Work and Society in the Orthodox East: Byzantium and Russia, AD 450–1861

Bradley Bowden

Contents

Abstract

Often overlooked by Western scholars, the Orthodox East has provided some of the most important societies in the human experience. For a thousand years, Byzantium provided a living link to the world of antiquity. Over the last 300 years, Russia, in a variety of guises (Muscovy, Imperial Russia, Soviet Russia, the Russian Federation), has always been a major world power. Despite the success of these societies, however, many of the attributes that we have associated with "modern management" – competition, legal protection of person and property, and guaranteed freedom of movement for labor – have often been absent. In exploring the reasons for such outcomes, we argue that blame should not be ascribed to a Byzantine cultural heritage supposedly hostile to individual identity. Nor is it the case that Orthodox societies such as Russia are hostile to concepts such as freedom and individualism. The resonance of the works of Tolstoy, Dostoyevsky, and Solzhenitsyn indicates that such values are deeply ingrained. Rather than being the result of cultural attributes, this chapter argues that the absence (or weak presence) of societal protections for person and

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property reflects peculiar historic experiences. Located at Europe's eastern periphery, the security of these societies was always precarious. In both Byzantium and Russia, the state feared that personal and economic freedoms would weaken its capacity to defend the frontiers. However, by denying freedom of movement, and protection of property, to its citizens, imperial Russia – like Muscovy and Byzantium before it – curtailed the entrepreneurship essential to its long-term success.

Keywords

Russia · Byzantium · Moscow · Freedom · Serfdom · Dostoyevsky · Orthodox Christianity

Introduction

Is Russia profoundly different to the societies of Western Europe? Did it experience the managerial revolution of the eighteenth and nineteenth centuries in ways that bear comparison with Britain, France, the United States, and other nations in the West, and if not, why not? This chapter speaks to these questions.

On the eve of World War I, the Czech historian and political theorist, Thomas Masaryk, reflected on the unique "Spirit of Russia." A longtime advocate of a separate Slav identity, Masaryk arguably had a better understanding of Eastern European affairs than most. In 1919, he was elected as Czechoslovakia's first President. Yet, even Masaryk found prerevolutionary Russia mystifying. "Slav as I am," Masaryk (1913/1955: 5) recorded, "a visit to Russia has involved many more surprises than a visit to any other land." In Masaryk opinion, what made Russia different was the cultural and religious heritage of Byzantium, the Greek Orthodox society that emerged from the breakup of the Roman Empire in the fifth century AD. As Masaryk (1913/1955: 24–25) expressed it, "the decisive centralizing force" in Russian society stemmed from "the dependence of the grand princes upon the church. . . princely absolutism received a religious sanction." The view that Russia's peculiarity stemmed from its Byzantine and Orthodox heritage was one shared by the great Belgium historian, Henri Pirenne. It was from Byzantium, Pirenne (1925/1952: 51) recorded that Russians "received Christianity . . .it was from her that they borrowed their art, their writing, the use of money and a good part of their administration organization." The French historian, Fernand Braudel (1987/1993), and the American political theorists, Samuel Huntington (1996/2003) and Carroll Quigley (1979), have also argued that Russia's uniqueness is a product of its Byzantine heritage, a heritage that supposedly emphasizes communal and state solidarity at the expense of individual identity. As "a society and a culture," Huntington (1996/2003: 140) noted, early modern Russia bore "little resemblance" to the geographical adjacent West. In consequence, "distinctive feature of Western civilization" that did much to explain the West's historical success – "separation of church and state, rule of law, social pluralism, representative bodies, individualism" – "were almost totally absent from the Russian experience."

For Masaryk, Pirenne, Braudel, Quigley, and Huntington, the historical uniqueness of Russia – which typically manifested itself in an all-powerful state that retarded the emergence of free-market capitalism and associated managerial endeavor – was more a curse than a benefit. "At the end of the seventeenth century," Huntington (1996/2003: 140) explained, "Russia was not only different from Europe it was also backward compared to Europe." For others, however, the unique features of Russia – supposedly built around communal and social solidarity – brought peculiar benefits to both the workplace and the wider society. In articulating this view, the nineteenth-century Russian novelist, Alexander Herzen, suggested that an excessive Western focus on politics and government caused a profound misunderstanding of Russian society. Yes, it was true, Herzen (1855/1956: 13) conceded, that in Russia "the individual has always been crushed . . .engulfed by the state." The modern, centralized state was, however, in Herzen's opinion, an alien Western import. Despite the best efforts of bureaucratic oppression, true Russian values survived in "the principle of community," in "the village commune" (Herzen 1855/1956: 15; Herzen 1851/1956: 183). Rather than adopt the rampant and destructive individualism of the West, the Russian commune shared wealth according to need in a form of "rural communism" (Herzen 1851/1956: 189). In consequence, so Herzen (1851/1956: 189) argued, Russian communalism offered Western societies – torn apart by the economic and social tensions of industrialization – a beacon in the darkness, "an actual instance of an attempt . . . in the direction of the division of the land amongst those who work it." The view that Russian communal values offered Europe a pathway to "prosperity and contentment," built around "harmony and unity," was one Herzen shared with Leo Tolstoy (see Tolstoy 1876/1978: 369). In Tolstoy's (1876/1978: 367) *Anna Karenina*, for example, the central character – the high-minded aristocratic reformer, Kostya Levin – only makes a success of his rural estate when he comes to the realization that the ideas of John Stuart Mill and classical economics do "not apply in Russia." For, "where capital was expended in the European fashion," thereby coming into conflict with "the spirit of the [Russian] people," so it was that "little was produced." In short, any managerial activity in Russia could only succeed when it operated on Russian rather than Western principles.

Whether one views Russian uniqueness positively or negatively, there is no gainsaying the fact that not only Russian but also the Orthodox East as a whole followed a different *historical* trajectory to the Latin West from the mid-fifth century AD onward. Whereas the West retreated into rural barbarism after the great Germanic *Volkerwanderung* of the fifth century, Byzantium maintained a physical connection with the world of classical antiquity for another millennium. The splendors of Constantinople and Byzantium, and its profound impact on early Russian societies, are well recorded in the so-called Russian Primary Chronicle, our main source of evidence on the formative experiences of the Russian and Ukrainian people. In reporting on their visit to Constantinople's *Hagia Sophia* (the Church of Holy Wisdom) in AD 987, a delegation from Kiev is recording as saying:

> . . . the Greeks led us up to the edifices where they worship their God, and we knew not whether we were in heaven or on earth. For on earth there is no such splendour or such beauty, and we were at a loss to describe it . . . God dwells there among men. (Russian Primary Chronicle 1337/1953: 111)

So impressed were the Kievan Rus, the most significant of the early Russian societies, that in the ensuing year they converted to the Orthodox faith. Subsequent to his momentous decision, which set Russia on a different *cultural* path to the West, Kiev's Prince Vladimir, so it is reported (Russian Primary Chronicle 1337/1953: 117), "began to found churches and to assign priests throughout the cities . . .He took the children of the best families, and sent them for instruction in book learning." At a time when the peasantry of medieval Europe suffered the indignity of serfdom, the ordinary Russian enjoyed social freedom, pursuing "slash-and-burn" agriculture in the forest of conifers and deciduous trees that lay to the north of Kiev. In the ninth and tenth centuries, the various Russian principalities also enjoyed a flourishing commerce with both Byzantium and the Muslim Caliphate of Baghdad, Pirenne (1925/1952: 54) observing that "Russia was living by trade at an era when the Carolingian Empire [of Western Europe] knew only the demesnial regime." From the eleventh century, however, these outwardly benign circumstances took a turn for the worse. First, a nomadic people, the Pechenegs, occupied the Ukrainian steppe, destroying trade with the Muslim South and Byzantine. Then, in the thirteenth century, invading Mongol hordes destroyed Kiev, occupying both the Volga basin and the Ukrainian steppe. In 1453, the fall of Constantinople to the Ottoman Turks cut Russia's physical ties to its Byzantium roots. The collective effect of these experiences was to isolate Russia from the wider world, even as Western Europe enjoyed a commercial and cultural Renaissance.

As the "West" looked outward, Russia suffered economic isolation, becoming a "self-contained" society, living "by and upon itself" (Braudel 1977: 83). With the emergence of a new Russian state in the fifteenth century, centered on Moscow rather than Kiev, the society also witnessed a process of gradual enserfment that culminated in the Legal Code (*Sobornoe Ulozhenie*) of 1649, a document described as "the most important written document in all of Russian history before the nineteenth century" (Hellie 2006a: 551). Under its terms, Russian society was subject to a serfdom that was more restrictive and onerous than the earlier Western European variety. Whereas in the medieval West, a peasant who found city employment effectively escaped serfdom, Russian serfs were legally denied the possibility of an urban existence after 1649, becoming instead a closed rural caste. In Russia's towns, the code of 1649 also bound urban dwellers to their existing occupation and place of residence, denying merchants the capacity "to move elsewhere, even if superior commercial opportunities seemed to warrant it" (Shaw 2006a: 587).

The consequences of the *Ulozhenie* of 1649, and Russia's belated embrace of serfdom, were profound. Rural activities and values were emphasized at the expense of commerce, industry, and entrepreneurship. Such problems remained even after the "Westernizing" reforms of Peter the Great (1682–172), which were premised on the assumption that Western technology and military methods could be grafted on to

Russian society without the need for far-reaching social or managerial changes. In consequence, even after the emancipation of Russia's serfs in 1861, Russia lagged other European societies in a host of business-related areas. In describing post-emancipation circumstances, Roger Portal (1966: 803) observed that "Russia was a country where commercial capitalism was scarcely developed, credit economy weak, and banking organization almost non-existent." Although Herzen, Tolstoy, and Ivan Turgenev penned romanticized accounts of peasant life – Herzen (1855/1956: 190) declaring that the "future of Russia rested with the *moujik*" [peasant] – the lived experience of the ordinary Russian was abysmal. In describing life inside the typical peasant abode, which normally housed three generations of a single family, Hellie (2006b: 289–290) records how "The smoke was so dense that it left a line around the wall about shoulder height, where the bottom of the smoke cloud hung. The air was so toxic that it disinfected the hut to the extent that not even cockroaches could survive." The industrial backwardness of Russia is perhaps best indicated by its inability to exploit the nation's abundant coal resources. For without coal for heating and cooking, Russia's urban population was restricted to wood fueled fires with accompanying risk of fire, Turgenev (1862/2009: 52) recording in his classic novel, *Fathers and Sons*, that "It's a well-known fact that our provincial towns burn down every five years or so." Without coal, the large-scale production of steel was also impossible, curtailing the growth of heavy machinery, railroads, and shipping. Theoretically, the vast deposits of the Donbas basis should have ensured comparative Russian advantage. Such, however, was not the case. In 1830, the Russian production of 300,000 tons was only 50% above the output that Britain managed in 1560 (Pollard 1980: 216; Portal 1966: 817). In 1890, as Fig. 1 indicates, Russian coal production was still a tiny fraction of that obtained by the industrializing societies of Britain and the United States.

If Fig. 1 points to economic and managerial backwardness, then Fig. 2 – which compares population growth in Muscovy/Russia with the United States – suggests the reverse: a growing and dynamic society. Whereas prior to 1700 the Russian homelands were geographically vast but sparsely populated, a transformation occurred around 1700 (i.e., the era of the Petrine reforms). By 1800, Russia's population (35 million) exceeded that of France (25–26 million), making it Europe's most numerous society. In the course of the nineteenth century, despite the social burdens of serfdom, population growth accelerated, surpassing even that of the United States with its large immigrant populations. Such gains would have been impossible unless the society possessed the wherewithal to feed tens of millions of extra mouths. The much-maligned backwardness of tsarist Russia was also belied by its battlefield performances, where time and again Russian armies shattered those of the West.

What explains the dynamic expansion of Russia's population during the eighteenth and nineteenth centuries, a growth that was to make Russia one of the world's preeminent powers? The most obvious answer is geographical. Like the United States, Russia in the eighteenth and nineteenth centuries was a frontier society, availing itself of the Ukrainian and Kuban steppes as well as the great Siberian wilderness. Agriculturally, the steppes of the Ukraine and the Kuban and, more

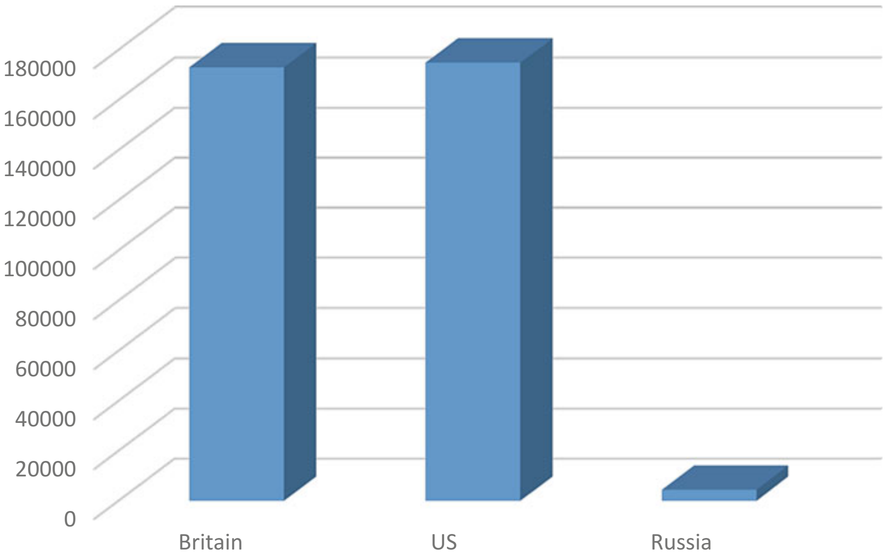

Fig. 1 British, the United States, and Russia coal output, 1890 (in thousands of tons). (Sources: UK Department of Business, Energy & Industrial Strategy, *British Coal Data 1853–2018*; U.S. Department of Commerce, *Historical Statistics of the United States*, Series M 93–103 and Series M 123–137; Portal, "The Industrialization of Russia," 817)

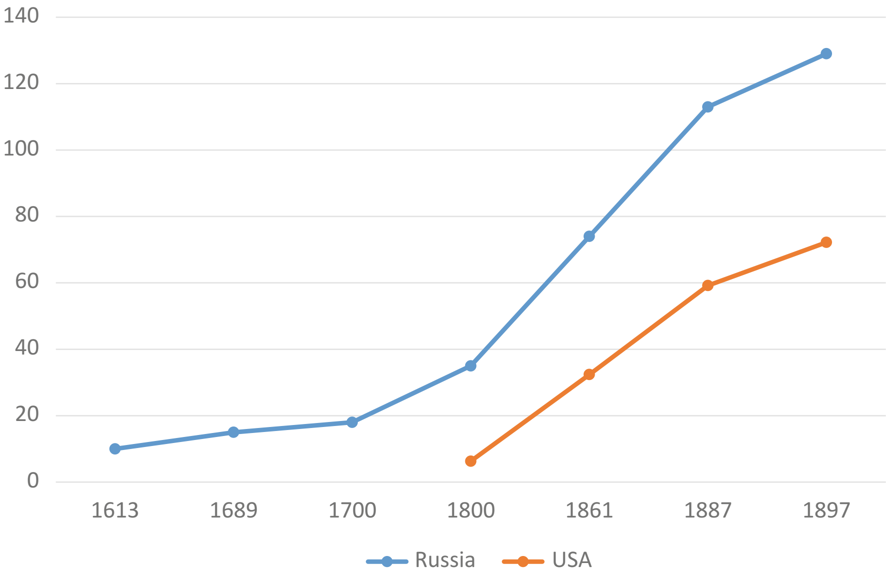

Fig. 2 Population of Russia and the United States, 1613–1897 (in millions)∗. (Sources: Cipolla, *Before the Industrial Revolution*, Table 1.1; Portal, "The Industrialization of Russia," 817; U.S. Department of Commerce, *Historical Statistics of the United States*, Series A 9–22)

particularly, the Central Black Earth region that lay between the Ukrainian steppe and the forested Russian heartlands offered almost unlimited potential. Whereas previously a number of nomadic warrior people had largely confined Russian settlement to the forests north of the Oka River, the victories of Peter the Great opened the southern expanses to agriculture. By 1719, an estimated 43% of the Russian population farmed the Central Black Earth region, a 250–500 kilometer strip of land to the north of the Ukrainian steppe that arguably boasts the world's most fertile soils (Shaw 2006b: 27–28).

As with the opening up of the American frontier, however, the Russian pioneering efforts of the eighteenth and nineteenth centuries could not have occurred in a population devoid of curiosity, inventiveness, and individuality. Certainly, the view that Russia is a society alien to ideas of liberty and freedom is a misnomer, contradicted by the deep resonance that the works of Alexander Pushkin, Tolstoy, and, above all, Fyodor Dostoyevsky obtained in Russian society. Indeed, among the canon of "Western literature," none arguably speaks to the importance of individual conscience and liberty more poignantly than Dostoyevsky does. Sentenced to 10 years in tsarist Russia's "Gulag" during his youth, Dostoyevsky understood that liberty and freedom were threatened not only by the educated agents of Russia's absolutist state but also by its revolutionary foes. As Dostoyevsky (1864/1972: 31–32) expressed it in his *Notes from Underground*, it is "the most civilized," those most prone to "abstract" political theorizing, who are the greatest "shedders of blood," an observation that prefigured Albert Camus's (1951/1978: 297) maxim that the most "homicidal" individuals are those who claim to act in the interest of "pure and unadulterated virtue." The Russian quest for political and economic liberty was reflected in not only poetry and literature. It also found expression in scientifically informed managerial ideas and practices. In 1765, the year before Adam Smith published *The Wealth of Nations*, the newly established Liberal Economic Society began publication of its annual conference proceedings, a work directed toward the formulation of "progressive" ideas for "household management" and the economic development of "the state" (cited, Marshev 2019: 288). By the mid-nineteenth century, interest in new managerial concepts, whether indigenous or imported, was widespread. "If we look at the studies . . . in the areas of history, law, management, sociology, political economy and politics," Vadim Marshev (2019: 286) observes, we find "chapters and whole sections containing historical analysis of the development of management thought."

If Russian society by the mid-nineteenth century was one characterized by profound contradictions – in which works of towering literary genius and the pioneering settlement of new lands existed alongside authoritarian rule and primitive living conditions – how then can we effectively gauge its managerial achievements? As is the case in every other society, it comes down to what we mean by the term "management." If we go by the standard textbook definition – that "management" amounts to "planning, organizing, leading and controlling" – then we must conclude that Russia possessed effective systems of "management" capable of feeding its many citizens. However, from the very first chapter in this *Palgrave Handbook* (► Chap. 2, "What Is Management?"), I have argued in favor of a broader definition, associating "management" with attention to costs, competitive markets, legal protections of person and property, and the need to motivate legally free workforces. By this definition, the answer as to whether or not the world of mid-nineteenth century Russia can be regarded as a society where the norms and practices of "modern management" were commonplace must be "no." As the central figure in Ivan Turgenev's (1862/2009: 10–11) *Fathers and Sons* observed, Russian society in the late 1850s was one characterized "neither by its prosperity nor by its industriousness," a world where the peasantry "were all in rags" and the "shaggy cows" that they farmed with care were "mere bags of bones." It is difficult to attribute these unfortunate circumstances – as Masaryk, Pirenne, Huntington, and others have done – to Russia's Byzantine cultural and religious heritage. In essence, Greek and Russian Orthodoxy differs only in degree from Roman Catholicism. Both Orthodoxy and Catholicism emphasized individual worth and protection for the poor even as they preached acceptance of the secular power. In the West, Hapsburg and Bourbon Spain exhibited authoritarian tendencies, and a suspicion of capitalism and market forces, that shared much in common with tsarist Russia. Nor is it possible to attribute all the blame to serfdom. In France, Italy, England, and the Low Countries, the historical experience of serfdom led to a diffusion rather than a concentration of power. The same tendencies were evident in Poland, Lithuania, and Hungary in the sixteenth and seventeenth centuries. In all of these societies, a government-mandated enserfment of the rural population led to a weaker rather than a stronger state as magnates accumulated wealth and power at the expense of officialdom. In the case of Poland, the state was so enfeebled that it disintegrated, partitioned among its more powerful neighbors (one of which was Russia).

In the final analysis, Russia's problems, like that of Byzantium before it, were a product of geography and historical experience rather than of religion or culture. Like Byzantium before it, Russia found itself at the eastern edge of Europe, exposed to assault from societies (Arab, Turkish, Mongol, Tartar) that both Latin and Orthodox Christians regarded as mortal foes. Given the historic and geographic circumstances in which they found themselves, the emphasis on security at the expense of personal and economic freedom was understandable, even if the suppression of economic and political freedom came at a long-term cost. Similarly, the xenophobia and paranoia that often characterized Byzantium and Russia reflected more than Eurocentric racism. In 1453, the Ottoman Turks destroyed Byzantium. On repeated occasions, Muslim Tartars drawn from the southern steppes sacked and burned Moscow, the final outrage occurring in 1571. In the seventeenth and eighteenth centuries, Russia also suffered from the depredations of Polish and Swedish invaders. Accordingly, it was not only the peasantry who accepted subjugation at the hands of the state. So too did Russia's aristocrats, Kleimola (1979: 210) accurately noting that it was "the top levels of Russia [which] were the first to suffer subjugation to the service of the state." Unfortunately, the assumption that authoritarian states are better than market economies at allocating resources, thereby ensuring economic growth and greater military and political power, is not one supported by the historical evidence. For, in curtailing markets and individual liberty, authoritarian regimes invariably prove to be inefficient rather than efficient economic mentors. As Stephen Kotkin (2017: 417) notes in reflecting upon the Russian experiences under Joseph Stalin:

Dictatorial power is never efficient, all-knowing, and all-controlling: it shows its strength by violently suppressing any hint of alternatives but is otherwise brutally inefficient.

The Byzantine Experience and Heritage

There is an overwhelming tendency among both historians and the population at large to associate the Roman Empire almost solely with the Latin-speaking West rather than with the Greek-speaking East. In truth, the eastern sections of the Empire were always far more prosperous and populace than the western provinces. In the Late Empire, the population of Egypt (7.5 million), the wealthiest eastern province, far exceeded that of Gaul (2.5 million), the bedrock of imperial power in the West (Jones 1964: 1040–1041). By the sixth century AD, the most populace cities of the Mediterranean basin (Constantinople, Antioch, Alexandria) were all in the east, Constantinople perhaps boasting 750,000 by AD 500. In contrast, Rome, the papal headquarters of the Latin Church, became a shadow of its former self, described by Pope Gregory the Great (c. AD 593/1959: 81) as "buried in its own ruin . . . its dilapidated buildings surrounded by their own debris." Across the Late Empire, every region confronted the same basic problem: how to defend the frontiers with the limited (and diminishing) resources of a society that was overwhelmingly rural. This produced an inevitable tension between a desire to maximize the taxes and other imposts required to fund armies and bureaucracies and the need to maintain a viable soldier-peasantry.

In the Latin-speaking West, where large slave-operated *latifundia* had long prevailed, the soldier-peasantry that once provided the backbone for imperial armies was a distant memory by the fourth century AD, forcing Western generals to recruit Germanic barbarians from beyond the frontiers. Even in the East, however, taxes and other imposts became unbearable. During the reign of the Roman Emperor, Diocletian (AD 284 – AD 305), taxes were not only increased but tied to what the state *believed* a given plot of land *should* produce – rather what it *actually* produced. In AD 332, to mitigate the ensuing flight of destitute peasants from the land, the Code of Constantine made the peasant's tillage of their plot a hereditary obligation. In the cities and towns, the craft worker was also denied the possibility of social mobility as their trade was also made a hereditary responsibility (Koerner 1941/1966: 25–26). In addition, taxes were increasingly made a collective responsibility of the village or commune, an outcome that caused neighbor to oversee neighbor in the knowledge that they would have to make up tax shortfalls caused by either peasant flight or subterfuge. The unintended consequence of this extension of state power was the so-called *patrocinium* movement, which saw peasants surrender both their families and their land to a wealthy local patron. In commenting upon the *patrocinium* movement, Ostrogorsky (1941/1966: 206) observed that "it was the government itself, driven by financial and military needs, which . . . handed over the peasants to the landowners." Unfortunately for the state, the large landholder who came to dominate much of the East revealed a greater propensity for tax evasion than did the peasant proprietor, leaving the imperial armies and bureaucracies in a perilous state. To remedy this state of affairs, the Byzantine Emperor, Heraclius, who ruled the East from AD 610 to AD 641, came up with a solution that led to the recreation of an independent soldier-peasantry within Byzantium. This entailed the settlement of Slavonic immigrants on abandoned land, where they gained freehold possession and exemption from taxation in return for military service (Ostrogorsky 1941/1966: 207–208). Without Heraclius' reforms, it is probable that Byzantium would not have survived the Arab conquests of the seventh century, a time when Arab military success swept Egypt and much of the Middle East from imperial sovereignty. As the frontiers were stabilized within a shrunken state, however, few Byzantine emperors proved capable of resisting the temptation to increase the tax base at the expense of the soldier-peasant. The result was a cyclical process of renewed tax demands, peasant flight, and a further extension of aristocratic estates at the expense of the peasantry, followed by belated attempts at imperial reform directed toward the reinvigoration of a soldier-peasantry. In the end, it is arguable, the greatest threat to Byzantine survival came not from the Muslim Arabs and Turks beyond the frontier but rather from the semifeudal aristocrats within the borders, who "continually absorbed the land of the peasants and solders and made the owners their serfs" (Ostrogorsky 1941/1966: 221). Put another way, the centralizing tendencies of Byzantium were undermined not only by the excessive burdens placed on the peasantry but also by the state's inability to curtail the growth of aristocratic power at its own expense.

As the power of the Byzantine state slowly disintegrated, the Orthodox Church became an increasingly important buttress for imperial power, both within the frontiers and without. Within the frontiers, imperial oversight of ecclesiastical circumstances dates from AD 325 and the Council of Nicaea. Not only was the Council called at the Emperor Constantine's bequest, the articles of faith that emerged from it – the Nicaean Creed – also owed much to Constantine, who made rejection of the Creed a criminal matter (Davis 1970: 19). As the Church expanded in the East, the appointment of "Metropolitans" (i.e., bishops) occurred under imperial auspices. So extensive was imperial control of the eastern Church that Emperor Constantius II is reporting as saying, "My will is law for the church" (cited, Masaryk 1913/1955: 37). For their part, the Orthodox Patriarchs in Constantinople were anxious to draw on imperial authority to ward off challenges to ecclesiastical supremacy from rival claimants, most particularly those put forward by Rome's bishops and popes. In Orthodox opinion, Constantinople was the "second Rome," eclipsing the authority of the original imperial capital. As one Patriarch asserted in the late fifth century AD, "I hold that the most holy Church of the old and the new Rome to be one" (cited, Davis 1970: 71). From the point of view of the Byzantine state, there was also much benefit in having not only a loyal and faithful Orthodox population within the borders of Byzantium but also a wide circle of Orthodox believers beyond the frontier. Byzantium's most successful missionary efforts were among the Bulgarian and Slavic populations to its north. In the Russian Primary Chronicle (1337/1953: 62), for example, it is recorded how in the ninth century the Byzantine Emperor, Michael III, sent missionaries (Cyril and Methodius) among the Moravians (Czechs) and that "When they arrived, they undertook to compose a Slavic alphabet." Within a century, the resultant "Cyrillic" script gained wide acceptance among the Slavic populations of Eastern Europe, permanently demarking the literary traditions of this region from the Latin West.

Enthusiasm for Orthodoxy was most pronounced in the Rus (Russian) lands where, as we noted the introduction, the Kievan Prince, Vladimir, converted to the faith in AD 988. Under his successor, Prince Yaroslav, the Russian Primary Chronicle (1337/1953: 137) reports how "new monasteries came into being. Yaroslav loved religious establishments and was devoted to priests, especially to monks . . . He assembled many [religious] scribes, and translated from Greek into Slavic." Despite the indigenization of Greek Orthodox faith under Vladimir and Yaroslav, the Byzantine influence remained profound. Of the 23 individuals who served as Metropolitan of Kiev between the ninth and thirteenth centuries, only 3 were Russian with another 3 arriving from Slav lands to the West. All the rest were Greeks (Masaryk 1913/1955:36). So extensive was Byzantine influence on the first, Kiev-based Russian state that Masaryk (1913/1955: 36) declared it, with some degree of exaggeration, to be "no more than a dependency of Byzantium." Russian ecclesiastical subservience to Byzantium continued even the destruction of Kievan Rus by the Mongols in the thirteenth century. Only in the dying days of Byzantium, when Constantinople began making overtures for reconciliation with Rome, did the now Moscow-based Metropolitan assert independence from the Greek Orthodox Patriarch.

In declaring its independence from Constantinople, the Russian Church adopted two beliefs or ideologies that were to have incalculable consequences. First and most importantly, it assumed Byzantium's sense of historic destiny, the belief that Orthodoxy and Russia were predestined for world leadership. For, on hearing of Constantinople's fall to the Turks in 1453, a Russian priest is supposed to have declared:

> Two Romes have fallen and have passed away, the western and the eastern; destiny has prescribed Moscow the position of the third Rome; there will never be a fourth. (cited Masaryk 1913/1955: 41)

This ideology of the "Third Rome," which caused Orthodox Russians to perceive themselves as culturally unique, was combined with what Masaryk (1913/1955: 37) referred to as Byzantine "caesaropapism," whereby the perceived interests of church and state become inextricably intertwined. This church-state partnership culminated in the coronation of Ivan Grozny (the Terrible) as Tsar or Emperor of all Russia in 1547. In taking this step, Moscow's Metropolitan, Iosif Volotskii, articulated a Russian version of the "divine right of kings," declaring that "though an emperor [tsar] in body be like all other men, yet in power he is like God" (cited Flier 2006: 389). This proclamation had profound significance for the future. As Richard Hellie (2006c: 364) observes, "This Russian version of the divine right of kings underpinned Russian law and the monarchy down to its fall in 1917."

If the ties between the Orthodox Church and secular authority were typically closer than was the norm in the Latin West, it is nevertheless a mistake to see Orthodoxy as a mere agent of princely authority. From the outset, the Orthodox Church, like its Latin counterpart, articulated beliefs and practices that set it apart – and often at odds – with prevailing state norms. Nowhere was this more obvious than in attitudes to wealth, poverty, and almsgiving, domains where the preachings of St John Chrysostom were most influential. Serving as Archbishop of his native Antioch from AD 386 to AD 397, Chrysostom became the Metropolitan or Archbishop of Constantinople in AD 397, advocating viewpoints that were to leave an enduring legacy in the Orthodox world. In St John Chrysostom's opinion (c.AD 398/1848: 282), wealth was nothing more than a "vain shadow, dissolving smoke" that delivered little benefit to the human spirit. "True honor," Chrysostom (c.AD 398/1848: 282) argued, lay not in the acquisition of wealth but rather in its surrender through "almsdoing." As Archbishop of Antioch, Chrysostom practiced what he preached. Acquired Church wealth was constantly redistributed, the Antioch diocese providing for the support of 3000 widows and other women in need on a daily basis (Mayer 2009: 91).

This emphasis on almsgiving, of giving to those who had fallen upon hard times, was to become deeply entrenched in the Russian Orthodox psyche. Dostoyevsky (1862/1911: 22), for example, in his account of his long years of convict servitude, criticizes the "upper classes of our Russian society" for not understanding "to what extent merchants, shopkeepers, and our people generally, commiserate the unfortunate. Alms were always forthcoming." The Russian Orthodox emphasis on protection of the poor, or those devoid of normal means of support, is also found in its insistence that "Church people" come under its jurisdiction, rather than that of the state. Included among such "Church people" were not only priests and monks but also "society's helpless . . .widows, beggars, wanderers" (Hellie 2006c: 362). Like the Catholic Church in the West, Russian Orthodoxy also accumulated immense wealth and resources held in its own name. By 1600, it is estimated (Miller 2006: 347) that Orthodox monasteries held at least 20 percent of Russia's arable land. One monastery located close to Moscow, the Simonovskii, owned 50 villages, along with the serfs who resided within them. The Church was, in short, a state within a state, an ally of tsarism but distinct from it.

If we are to summarize the importance of Byzantium's Orthodox heritage in Russian history, we can conclude in the first instance that it was sufficiently similar to other varieties of Christianity for Russians to feel a common religious bond with their Western neighbors, yet sufficiently different in that it caused Russians to feel a unique sense of cultural identity. Above all, Orthodoxy – and the belief that Moscow was the "Third Rome" – conveyed to Russian society a sense of historic destiny, pretentions to world leadership that was shared by wealthy and poor alike. Easily overlooked in the Byzantine experience, however, is a cautionary tale as to the dangers of state power. For in seeking to extend the power of the state so as to better defend itself, Byzantium ultimately destroyed itself.

From Freedom to Serfdom: The Muscovite Experience

In the mid-fifteenth century, despite the ongoing construction of new Italian-built walls around the Kremlin, Muscovy was but one of many insignificant principalities located within the central forests of Russia. While Italy and Flanders experienced the glories of the Renaissance, the peasants of Russia continued a time-honored existence. Although most were legally free, life was nevertheless hard and precarious. Long, cold winters restricted agriculture to the growing of oats and, more particularly, rye, along with a few hardy vegetables such as turnips. Planted in autumn and harvested in summer, rye was prone to a fungus (ergot) that caused hallucinations among sufferers. Although fields crops were supplemented by the bounty of the forests during summer (mushrooms, berries, honey, game), the monotonous Russian diet was associated with a variety of health conditions. By late winter, most Russians were suffering from deficiencies in vitamin A, vitamin D, vitamin C, niacin, and calcium (Hellie 2006b: 291). Thin soils, long winters, and a lack of pastures made the draft animals that were commonplace in Western agriculture (oxen, horses) a comparative rarity in Russia. Even in the late nineteenth century, when Russian occupancy of the Ukrainian and Kuban steppes made horse raising a comparatively easy exercises, only 44.1% of peasant households in European Russia owned more than one horse. The horseless households comprised 27.3% of the total (Lenin 1898/1964: 143). Where peasants did own a farm animal (typically a small dairy cow), the long winters required indoor stalling for 6 months of the year. By spring, chronically underfed cows were normally so weak that they had to be carried to the spring pastures (Hellie 2006b: 290). A shortage of farm animals meant there was little manure for fertilizing the thin *podzol* soils of Russian forest heartlands. In consequence, Russian grain yields in the fifteenth century were comparable to those of Western Europe in the eighth century (Hellie 2006b: 287). The Russian forests also boasted few coal, iron, copper, or silver deposits. Accordingly, few Russian peasants owned a metal-tipped plow, most making do with a primitive wooden instrument that did little more than create a "two-pronged scratch in the soil" (Hellie 2006b: 291). In such conditions, food shortages and famine were regular occurrences. In describing one of medieval Russia's all-too-common famines, a chronicler from Novgorod, a prosperous northern town, recorded how "the people ate limes, leaves, birch bark, pounded wood pulp mixed with husks and straw . . .their corpses were in the streets, in the market place, and on the roads, and everywhere" (cited, Engel and Martin 2015: 12).

In many ways, the transformation of Muscovy from an inconsequential backwater into a preeminent European power under imperial Tsarist rule remains almost inexplicable. Muscovy, and the other historic Russian principalities (Pskov, Novgorod, Vladimir), possessed few resources other than wood, grain, and people, of which only the former was plentiful. As the American economist, Jeremy Sachs (2005: 147) has observed, "during most of Russian history" cities and towns "were few and far between. The division of labor that depends on urban life and international trade were never dominant features of social life." Because land was plentiful, Russian society in the fifteenth century had little understanding of private property, peasants typically moving to new fields when the soil on one plot was exhausted (Dennison 2011: 132). The "fundamental law" of medieval and early modern Russia, the *Russkaya Pravda*, gave ownership to those who tilled the soil after 4 to 5 years. Conversely, those who failed to work the land surrendered the title after 10 years (Hellie 2006c: 366). Even where land was sold, the owner (or their heirs) could repurchase it at the original sale price at any time over the ensuing 40 years, a right that discouraged any would-be buyers (Hellie 2006c: 384). Until the twentieth century, comparatively few Russians could read or write, Dostoyevsky (1862/1911: 12) reporting with amazement that "half" the convicts he was imprisoned with during the 1850s "knew how to read and write." Nowhere else in Russia, "in no matter what population," Dostoyevsky (1862/1911: 12) continued, would you find such a high level of literacy.

To escape from the predicament in which it found itself, Muscovy had only one realistic option: to import technology, people, and material from the West. As was to remain the case in subsequent periods of Russian history – most notably under Peter the Great in the eighteenth century, Joseph Stalin in the twentieth century, and Vladimir Putin in the twenty-first century – Western imports were only purchasable with income derived from primary commodities. Russian eagerness to trade staples for Western manufactured goods, it must be noted, was hardly unique in the sixteenth and seventeenth century. By 1500, the rise of nascent forms of capitalism in Western Europe was creating an insatiable desire for imported grain and timber, driving Eastern Europe toward what Braudel (1979/1982: 267) refers to as "a *colonial* destiny as a producer of raw materials" [emphasis in the original]. In return for imported (largely Dutch) luxury goods, the aristocracy of Central and Eastern Europe organized the felling of vast forest reserves and the growing of huge quantities of grain (principally rye) on new, commercialized estates. Polish rivers became chocked with immense rafts of wood destined for the Baltic ports (Braudel 1979/1982: 269). In Poland, Lithuania, Hungary, and Romania, the society witnessed what Braudel (1979/1982: 267) called "the second serfdom," in which previously free peasants were enserfed with the assistance of state and sent to work on the new commercialized estates. In Poland, where compulsory labor for the local lord rarely occurred in 1500, a century later the peasant was required to work for 6 days per week. Things were little better in Hungary, where peasants were forced to work at the "pleasure of the lord" (Braudel 1979/1982: 267).

Although Russian experienced the "second serfdom" (i.e., the second *European* era of serfdom) at the same time as other Eastern European societies, the dynamic that drove it was fundamentally different. In Poland, Lithuania, and Hungary, an aristocracy desirous of entering into new commercial relationships with the West underpinned the process of enserfment. While the state collaborated in this process, it was also weakened by it, as the local aristocracy strengthened its position vis-à-vis *both* the peasantry *and* the state. In Russia, however, international commerce – freely undertaken by either producers or traders – was insignificant in the fifteenth and sixteenth centuries. A number of hostile states – most notably Poland, Sweden, and the Grand Duchy of Lithuania – blocked Russia's access to the Baltic. To the south, the Crimean Tartars barred the way to the Black Sea. Even during the reign of Ivan

Grozny (1533–1584), when Russian armies reclaimed the Volga basin from the Tartars, the only trade route to the West went via the White Sea and Archangel, and even this was only open for a few summer months.

Rather than reflecting commercial dynamics, both Moscow's relationship with the West *and* the process of Russian enserfment were *both* driven by the state, acting in the interests of the state. For, under the last three representatives of the Rurik dynasty – Ivan III (1662–1505), Vasilii III (1505–1533), and Ivan IV (Grozny) – all sections of Russian society, with the partial exception of the Church, found themselves subject to the power of an increasingly authoritarian regime. This process of state subjugation arguably began with Muscovy's annexation of the commercial center of Novgorod in 1478. Deporting the local aristocracy, Ivan III initiated the first so-called service-class revolution, distributing land in return for service in either the military or the bureaucracy. Unlike the holders of hereditary estates (the *votchinniks*), this new aristocracy of "servitors" (the *pomeschiks*) only occupied their properties while they remained in state service. Finding this system much to their liking, Ivan III and his heirs then proved remarkably successful, as Kleimola (1979: 213) observed, "in developing a system of rewards and punishments that bound servitors every more tightly to the ruler." In the first instance, the system of service estates (*pomest'e*) was extended at the expense of hereditary properties. Under Ivan III and his son, Vasilii, members of high-ranking families were packed off to monasteries so that their estates would pass to the state on their death (Kleimola 1979: 214). At the local level, military governors assumed control of civil administration. Under Ivan Grozny, the campaign to make the aristocracy an agency of the state reached a new level of intensity, Russia entering into one of the darkest periods in its history. The wives and children of aristocrats and officials were held hostage to guarantee allegiance. Whole families were massacred for the supposed transgressions of a single individual. Between 1565 and 1572, Russia entered into a state-driven bloodbath, the *Oprichnina*, which saw some 6000 black-clad *oprichniks* arrest, torture, and massacre any suspected of disloyalty. During the *Oprichnina*, Kleimola (1979: 219) notes, "Almost no elite family was left untouched." In 1570, Novgorod, Russia's gateway to the West, was sacked. Among those massacred, according to one contemporary account, were "2770 Novgorod nobles and wealthy merchants" (Graham 1987: 181). As with the purges of Joseph Stalin in the 1930s, the irrationality and violence of the *Oprichnina* produced a ruthless concentration of power in the hands of the state, the *oprichniks* collecting more tax in 1 year than had previously been raised in 7 (Hellie 2006b: 393).

If the Russian aristocracy suffered grievously at the hands of the state, it also benefited, as the nation's once free peasantry were transformed into serfs. In this retrograde endeavor, the Muscovite autocracy was assisted by all levels of elite society: the aristocracy, the bureaucracy, and the Church. As had been the case in both Byzantium and Western Europe, serfdom in Russia arose through a series of restrictions rather than a single event. From the 1450s, the peasant's right to move freely from place to place was restricted to a single day: St George's Day (26 November). In 1592, even this freedom was denied. At the same time, the period in which a lord could reclaim a runaway serf became longer and longer, extended from 3 years in 1497 to 15 years in 1641. Eventually, under the Code (*Ulozhenie*) of 1649, the statute of limitations was abolished altogether (Dennison 2011; Hellie 2006c). Significantly, the passage to serfdom advanced hand-in-hand with the “service-class revolution,” which saw bureaucrats, military officers, and cavalrymen allocated *pomest'e* (estates) in return for state service. By the late sixteenth century, most arable land was under the management of *pomeschiks*, state servants who benefited from the labor of the peasant households allocated to them by the Muscovite state. This peasant workforce not only worked the *pomeschik's* land; it was also obliged to pay “quit-rents” for the plots of land upon which they grew their own meager crops (Hellie 2006c: 382–383). Under the so-called obedience charter (*poslushnaia gramota)* of 1607, serfs were also required “to obey their landholder in everything” (cited, Hellie 2006b: 297).

To add to peasant misery, they also assumed the great bulk of the tax burden, a liability to which the new service aristocracy was exempt. As was the practice in Byzantium, rural taxes were imposed on a collective basis, an outcome that left remaining members of the village or commune with a larger bill in instances of peasant flight. Even the rents and labor obligations imposed by the local lord were collective in nature, the job of collecting rent and taxes falling to the village commune. Because the commune was responsible for collecting feudal dues, it also assumed the tasks of allocating land – including the strips to be worked for the lord as well as those exploited for household use. Because the commune was mindful of meeting its imposed state and feudal financial obligations, there was a universal tendency to allocate land to the most capable and “wealthy” peasant households (i.e., those most likely to meet the imposed demands), rather than to those most in need (Dennison 2011: 133). Herein we find the explanation for the supposed “communal” nature of Russian society. Rather than it being the case, as Herzen (1851/1956: 189) believed, that the Russian commune was an exemplar of “rural communism,” it was in truth the agent of the absolutist state and the feudal lord. It was not only the peasantry, however, that found itself subject to the collectively imposed demands of the state. The same circumstances prevailed in Russia's towns, where merchants and traders were confined to special suburbs (*posads*). Such people were declared “black” by the Muscovite state. This meant that they were required to pay a tax, the *tiaglo*, imposed on the entire *posad*. *Posad* members were also liable for a host of other state-imposed obligations: acting as city guards, customs-collectors, and general agents of the state (Shaw 2006c: 305). This put them at a commercial disadvantage to those urban dwellers allowed to trade while remaining “white,” i.e., they did not have to pay taxes. Unsurprisingly, the most significant group of tax-exempt competitors were state “servitors,” most particularly musketeers and cavalrymen, who supplemented their meager pay through small-scale commerce (Shaw 2006c: 306).

The inevitable result of the extension of state power, as described above, was a replication of many of the same unintended consequences that afflicted the Byzantine state between the fifth and twelfth centuries. Imitating the Byzantine *patrocinium* movement, many peasants fled to the estates of “strong people” (*sil'nye* *liudi*), where living conditions were generally better than on smallholdings (Hellie 2006b: 296). As was the case in Byzantium, mass flight from the land also occurred, many taking off for a life beyond the frontiers in the Volga basin, Siberia, and the Ukrainian steppe. Others risked their lives by settling in the Central Black Earth region to the south of the Russian forests, even though Tartar raids carried off thousands each year to the slave markets of the Crimea. In commenting upon the lives of these rural fugitives, Robert Smith (1977/2010: 31) observed that although their lives were "hard, at times brutal . . . they evidently felt that it was not as hard as the exactions and injustices imposed on them by the state." The most significant manifestation of this process of mass flight was the emergence of a new class of seminomadic cavalrymen along the Dnieper and Don rivers, the "Cossacks." Inevitably, the end result of the Muscovite attempt to create a highly ordered body politic was – in many areas – the reverse of what was intended: the emergence of "a disordered and sometimes chaotic society" (Shaw 2006b: 41). In the regions around Moscow and Novgorod, where state control was most exacting, it is estimated that 85% of the rural population had fled the land by the latter stages of Ivan Grozny's reign (Hellie 2006b: 294). Mass flight also characterized the towns, where the number of taxpaying households fell by 35% between 1550 and the late 1580s. In describing the resultant urban landscape in 1588–1589, an English visitor, Giles Fletcher, recorded how Russia's towns boasted nothing "memorable save many ruins . . . which showeth (sic) the decrease of the Russe people under this government." Of the smaller villages, Fletcher observed that many stood "vacant and desolate without an inhabitant" (cited, Shaw 2006a: 303–304).

As is the case with most authoritarian societies, the response of the Muscovite state to the social chaos engendered by its own policies was not social and economic liberalism but the reverse: an ever-tighter battening down of the hatches. Following the Time of Troubles (1598–1613), when the Muscovite state virtually collapsed in the face of popular revolt and foreign invasion, the new Romanov dynasty responded by enacting the Code (*Ulozhenie*) of 1649, entrenching a system of oppression that was to last to 1861 and beyond. To halt the Russian equivalent of the *patrocinium* movement, penalties were imposed on aristocrats who allowed fugitive serfs to work on their estates. Eventually, under this provision, the state confiscated four serfs for each fugitive retrieved from a given property. Under the Code, peasants without a nominal feudal lord became state serfs. Those who worked in cities and towns were forced to return to their home estate, selling up any business venture they had undertaken (Hellie 2006c). Merchants and traders, who belonged to the various urban *posads*, were legally bound to the town in which they resided. "Henceforth," Shaw (2006c: 587) records, "the *posad* dweller was to stay put and share the burden of taxation and service laid upon the *posad* community as a whole." In essence, the Code of 1649 did far more than simply entrench serfdom. It created a rigid caste system that restricted social mobility, individual initiative, and creativity.

If we look to the managerial practices of the Muscovite state, we can ascertain two distinct domains: a higher level associated with the state and its various agents, and a lower level of predominately serf-based production. In the higher domain, associated with the state, we witness management as subjugation, management as secret police, and management as state-sponsored terror. As Marshall Poe (2006: 454) has observed, "the Muscovite elite focused nearly all its energy in ruling others . . .Domination was their *raison d'être*." Although, in theory, the Muscovite bureaucracy operated according to principles of aristocratic precedence (*mestnichestvo*) that favored old-established families, in practice the demand for literate and capable people provided one of the few avenues for social advancement. Accordingly, an overwhelming majority of the 3000 officials who staffed the central bureaucracy in the late seventeenth century were people of comparatively humble means (Poe 2006: 454). For this group the *Oprichnina*, which devastated the ranks of the old aristocracy, provided more benefit than threat. Away from the Kremlin, the lives of the middle-level "servitors" – who served as provincial governors and the like – were more precarious. Subject to constant transfers that kept them away from their home estates, the main concern of this group was to transfer their *pomest'e* (service estate) into a hereditary property, a feat which was achieved in practice if not in law by the early eighteenth century (Hellie 2006c: 383). Even more precarious were the lives of those at the bottom of the state hierarchy, the semiprofessional soldiers (the *streltsy)* and cavalrymen who typically commanded a miserable estate worked by half a dozen peasant households. Seldom able to survive on their government-derived income, most were forced to rely on small-scale trading as well as the produce garnered from working land adjacent to their barracks (Hellie 2006a: 549; Shaw 2006c: 587–588).

Among the peoples of Europe, arguably none experienced a worse fate than that of the Russian serf after 1649. Serfs, male and female, young and old, could be sold off at any time, either individually or as a family. Males were regularly packed off for military service, where serfs came to make up the great bulk of Russia's infantry force (Gerschenkron 1965: 714). The greatest failing of the Russian version of serfdom, however, was the attribute that Herzen and Tolstoy hailed as its greatest strength: its emphasis on communalism rather than individualism. This had many unfortunate effects. Because collective taxes were calculated on a household basis between the 1640s and the 1720s, the Russian serf crowded as many people as possible into the one smoke-filled hut so as to minimize their tax liability. Once normalized, this practice continued even after the tsarist state circumvented the ploy by calculating the collective tax liability on the basis of individual "souls" (Dennison 2011). Even more problematic was the communal practice of redistributing land between peasant households on a regular basis. This was unlike the situation that prevailed in the Western version of serfdom, where peasants enjoyed de facto occupation of the same plot of land generation after generation. By custom and practice, the Western peasant family was also guaranteed a fixed share of their crop. Both of these factors incentivized productivity as a bigger crop added to household wealth. The Russian serf, by contrast, had no reason to invest in agricultural improvements. A plot of land allocated to one household for 1 year could be given to another the next. In the Russian commune, any indication of personal wealth was also unwise, typically causing the commune to allot a bigger share of the village's tax burden to the household concerned.

By comparison with the Byzantine state, with which the Muscovite/Russian state shared many similarities, the latter succeeded in one key area that caused constant grief to the former: it subjugated its aristocrats as well as its peasants. The benefits of this achievement – which delivered Muscovy a highly centralized and cohesive state – can be ascertained by the state's military successes in the Volga basin, which secured its access to the Caspian Sea for the first time. By the mid-seventeenth century, the agricultural bounty of the Central Black Earth region was also under the control of the Russian state. In the first half of the seventeenth century, the vast expanse of Siberia was won by force of arms. In 1649, Russian settlements were even appearing along Siberia's Pacific coast, providing bases from which Russian fur traders and explorers pushed on to claim the Alaskan territories of North America. When the Muscovite state turned west, however, its many economic and social frailties were exposed. Despite marshaling all available resources, a long and brutal campaign to gain access to the Baltic ended in a costly Russian defeat in the so-called Livonian war (1558–1583). Yes, it is true, that the Muscovite state boasted state-owned cannon foundries, gunpowder works, brick-works, and even two state-owned paper mills (Shaw 2006a: 59). There was, however, little in the way of private sector entrepreneurship. Muscovy, and the Russia of the early Romanovs, also lacked the deep capital markets, and the class of middling merchants and producers, that allowed Western states a capacity to raise money through the issuance of government bonds. Such circumstances meant that Russia was always reliant on Western imports to make up for its own deficiencies. With regard to "major technology transfer after 1613," Hellie (2006a: 544) observes that "nothing happened without government intervention." A similar comment could be made with regard to almost every other area of economic activity.

In summary, it is evident that the Muscovite state set Russian society upon a path of state intervention and control that suppressed individualism while emphasizing state and communal solidarity. Once set upon this path, it became difficult to move in a fundamentally different direction in ways that emphasized individual initiative and entrepreneurship. This is *not* to say that the Russian *people* lack these qualities. Evidence to the contrary is all too apparent in the settlement of the Russian frontier, a task largely undertaken by runaway serfs and Cossacks acting under their own volition. The individual quest for freedom, however, constantly ran up against the logic of the state; a contest that rarely ended in the victory of individualism over collectivism. The question is, however, could the Muscovite state have chosen a different path and survived, given the geopolitical circumstances in which it operated? The answer is, probably not. As Dominic Lieven (2006: 17) has observed, "On Europe's periphery one paid a high price for both power and powerlessness." If one failed to mobilize the resources of a powerful state, as occurred in Poland, then the partition and destruction of the society was more than probable. If, as occurred in Byzantium, one allowed the resources of a centralized state to dissipate, then a similar outcome was also likely. To create a strong, militarized society in the vast continental areas of Central and Eastern Europe – regions characterized by endless forests and steppes – was also difficult. Muscovy achieved this feat but at great social cost.

The Limits to Modernization: Russia, 1682–1861

As we have previously observed in this *Palgrave Handbook on Management History*, the bedrock of every civilization is located in its command of metals: copper, bronze, and iron. The primacy of metals in the production process is particularly apparent in what we think of as the Industrial Revolution. For, although in the popular imagination, the Industrial Revolution is typically associated with the mechanization of textile production, its success really hinged on the availability of cast iron: iron for steam engines, factory machines, railroad locomotives, railroad running rails, and iron-hulled ships. In reflecting upon the central importance of iron to the human experience, the American historian, Lewis Morgan (1878: 43), had cause to observe:

> The production of iron was the event of events in human experience, without a parallel, and without an equal . . . Out of it came the metallic hammer and anvil, the axe and the chisel, the plough with the iron point, the iron sword; in fine, the basis of civilization.

Backward in many areas of economic and managerial endeavor, the production of cast iron was an area where tsarist Russia appeared to excel during the late eighteenth and early nineteenth centuries. In the late eighteenth century, iron was one of Russia's principal exports, the society exporting 4.64 million kilograms of iron in 1762. As late as the 1820s, Russian production, which drew of the rich iron deposits of the Ural Mountains, far exceeded that of most Western European nations. In most years across the decade, Russia's production of pig iron was 50% higher than that of France. It was also three times higher than that of Belgium, a long-term leader in new industrial techniques (Lenin 1898/1964: 485). Yet, as Fig. 3 indicates, by the end of the nineteenth century, the Russian lead had evaporated. By comparison with the Britain, the United States, France, Germany, and Belgium, Russia remained a primarily agricultural society. Wood, grain, and people were plentiful. Iron, steel, and steam engines remained scarce. In the early 1830s, the total motive power of all Russia's steam engines amounted to the feeble equivalent of 2,200 horses. Prior to the mid-1870s, virtually all of the locomotives that operated on Russia's railroads were imported (Portal 1966: 810). Writing of the situation that prevailed at the end of the nineteenth century, the revolutionary Marxist, Vladimir Lenin (1898/1964: 431), lamented the fact that manufactured goods remained largely the preserve of "hand production," carried out in a "mass of small establishments." Where advanced forms of management and production existed, it typically owed much to Western European firms who opted to establish factories behind Russia's wall of protective tariffs. Writing of the situation that prevailed on the eve of World War I, the Russian anarchist and social theorist, Prince Kropotkin (1912/1968: 41), noted with considerable pride how "English engineers and foreman, have planted within Russia the improved cotton manufacturers . . . they are busy now in improving the woollen industries and the production of machinery." At the same time, Kropotkin (1912/1968: 41) continued, "Belgians have rapidly created a great iron industry in South Russia."

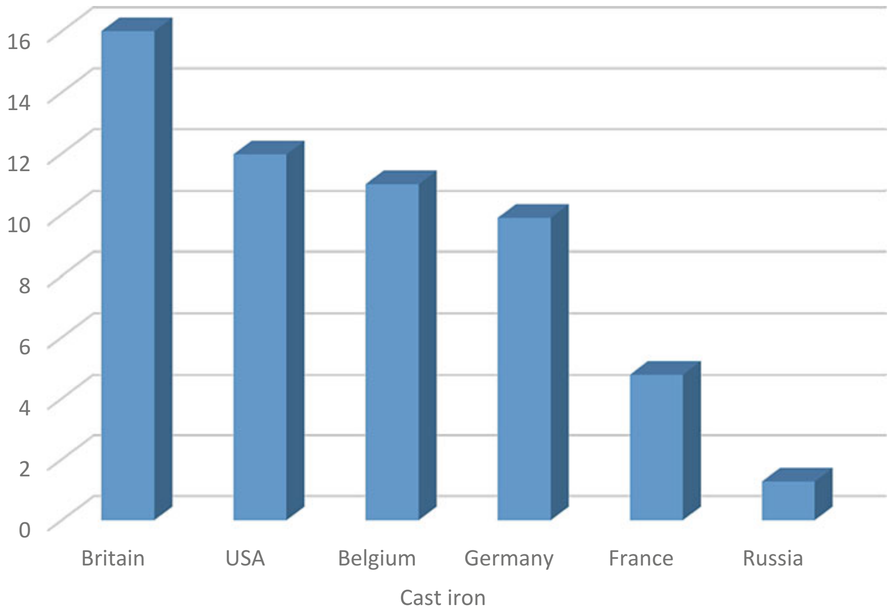

Fig. 3 Per capita cast iron production, 1898: Britain, the United States, Belgium, Germany, France, and Russia (in kilograms). (Source: Calculated from Ananich, "The Russian Economy and Banking System," p. 415)

To understand the success and failure of not only the Russian iron industry but also of Russian management more generally, we need to remind ourselves that, in the wake of the Legal Code (*Ulozhenie*) of 1649, the work activities that one could undertake were largely determined by the social class into which one was born. Accordingly, if one was to undertake any sort of industrial or mining activity, there was only two ways in which this could be legally done. First, one could hire serfs on a wage-labor basis, a feat that could only be undertaken *if* the serf had their lord's permission *and* the serf acquitted their feudal dues by paying a "quit-rent" to their lord. The problems with this "solution" are manifest. Not only was labor supplied at the whim of the feudal lord, the resultant wage had to be high enough to make the exchange attractive to both the serf *and* the lord (Gerschenkron 1965: 715). The second and more reliable method – and the one which was most typically pursued – involved the purchase of a landed estate (serfs included) adjacent to the would-be factory or mine. Such individuals, legally referred to as "possessional serfs," then worked in the mine or factory in return for the right to farm a plot of land (Pipes 1974: 210–211). It was this latter approach that was universally pursued by the iron miners and smelters of the Urals, Lenin (1898/1964: 485) observing how, "serfdom was the basis of the greatest prosperity of the Urals and its dominant position, not only in Russia, but partly also in Europe." Not only were money wages close to zero under this system, the close ties that existed between peasant and land also assured the industrialist a more reliable worker than was normally the case under a system of waged labor. As a certain V.D. Belov testified to an imperial commission of inquiry in 1887:

> Workers in other factories . . . have not the interests of their factory at heart: they are here today and gone tomorrow . . . They and their employers are permanent enemies . . . The position is entirely different in the case of the Ural workers. They are natives of the place; and in the vicinity of the works they have their own land, their farms and their families . . . to leave means to wreck their whole world, to abandon the land, farm and family . . . And so they are ready to hang on for years, to work at half pay . . . they are ready to accept any terms the employers offer, so long as they are allowed to remain. (cited, Lenin 1898/1964: 487)

The situation described by Belov, it should be noted, existed long after Russia's serfs were legally freed in 1861. At the end of the nineteenth century, as at the beginning, the ironworkers of the Urals worked in the knowledge that any complaint could see them evicted not only from their job but also from their farm.

In the mines and furnaces of the Urals, we witness the difference between premodern forms of management and what we have consistently defined as "modern management." For while the semifeudal industrialists of the Urals could not have survived unless they fulfilled the basic activities of management (planning, organizing, leading, and controlling), conspicuous by their absence are other attributes that are essential to dynamic and innovative forms of "modern management": individual freedom, secure property rights, and a legally free workforce that is motivated to work efficiently. Lacking these latter attributes – which *were* a defining characteristic of Western mines and smelters in the nineteenth century – the iron producers of Russia steadily fell behind their competitors. For, with low wage costs and plentiful supplies of wood, the producers of the Urals had little obvious reason to innovate. Whereas English producers began switching to coal-based coke in the eighteenth century, Russian smelters in the Urals still used charcoal well into the nineteenth century. In turn, the use of charcoal constrained furnace size, denying Russian smelters the economies of scale enjoyed in the West. Inevitably, charcoal-based smelters stripped the forests in the areas adjacent to their workings. Confronted with this problem, Russian producers were unable to respond – as their medieval counterparts in Western Europe had done – by relocating to virgin forest reserves. To do so would require the abandonment of their serf labor force. Tied to the spot, Ural producers suffered the expense of transporting wood and charcoal from ever more distant locales. Prior to the 1880s, the Russian iron industry also suffered from the lack of a well-developed railroad system, the construction of which was curtained by a lack of iron and steel. Although it was possible to ship iron to Moscow and the new capital of St Petersburg via a complicated system of rivers and canals, the transport process was slow and labor-intensive. With rivers and canals freezing in winter, it typically took 18 months to ship a barge load of iron from the Urals to St Petersburg, most barges wintering in Tver at the junction of the Volga and Tvertsa rivers (Baykov 1954: 141–142). As the nineteenth century progressed, many businesses found that it was quicker and cheaper to import iron from abroad rather than from the Urals. Accordingly, by the 1870s some 59% of Russia's iron and steel was imported (Baykov 1954: 143).

Russia's long embrace of serfdom not only delayed the adoption of "modern management" practices; it also curtailed the emergence of an economic middle class comprised of entrepreneurs and factory owners. For, in pre-1861 Russia the only way one could operate an industrial undertaking was with serf labor, a workforce that Russia's merchant class was typically prohibited from owning. Given the right to own serfs by Peter the Great in 1721 – who was intent on facilitating Western-style commerce and industry – urban merchants promptly lost this benefit in 1762 under Peter III (Pipes 1974: 210–211). Indeed, rather than Russia witnessing increasing levels of labor mobility under Peter the Great's reforms, labor suffered new restrictions due to the introduction of a system of internal passport controls. This linked serf movement to the express, written approval of their lord (Riasanovsky 1993: 235). In such circumstances, the only viable way in which most merchants could secure their own manufactured products was through the practice of "putting out," whereby the merchant and their agents purchased raw materials and then outsourced processing and assembly to a mass of handicraft workers. For both serf and lord, this system had numerous benefits. In the case of the peasant, commercialized handicraft work provided additional income without a commensurate need to leave the land. Increased cash income also allowed the peasant to substitute labor service on the lord's estate with "quit-rents" that allowed more time for the cultivation of the serf's "home" plot. For the lord, larger "quit-rents" provided an additional (and much sought after) source of cash. As was the case in the iron industry, however, the persistence of the "putting out" system delayed the emergence of "modern management" across broad swatches of the economy. As a result, innovation was typically conspicuous by its absence as peasant handicraft workers continued to work according to time-honored traditions even after the abolishment of serfdom. In 1894–1895, for example, a census of manufacturing workers in the province of Perm – one of Russia's most industrialized regions – found that 80.9% of "artisans" combined industrial activities with traditional agricultural pursuits (Lenin 1898/1964: 333). The feeble advance of mechanized production is also indicated by trends in the woolen industry, historically a dominant sector in Russian textile production. As late 1875–1979, official factory statistics indicated the presence of only 209 steam engines in this sector across the whole of European Russia (Lenin 1898/1964: 470). The association of merchants with "putting out," and backward forms of production, also demeaned their social standing. In his massive study, *The Development of Capitalism in Russia*, Lenin (1898/1964: 383), for example, declared merchants engaged in "putting out" to be "leeches," "usurers," and "kulaks." After the communist seizure of power in 1917, such designations entailed fatal consequences.

If the "managerial revolution" of the nineteenth century made little headway in Russia prior to the century's closing decades, this failing was long disguised by the dynamism that was evident in civil administration, the military, and territorial and demographic expansion. As is the norm in Russian history, the most significant developments related to the state, where the reforms of Peter the Great (reigned 1682–1725), Catherine the Great (1762–1796), and Alexander I (1801–1825) laid the foundations for "an effective military and fiscal state apparatus" (Lieven 2006: 11).

Under Peter, as most readers would be aware, a frantic process of "Westernization" occurred, conducted at a pace that caused Nikolai Karamzin, a leading eighteenth-century writer, to lament how "We became citizens of the world, but ceased in certain respects to be citizens [of Russia]" (cited, Hughes 2006: 88). The key to Peter's reforms involved a social pact with Russia's nobility, whereby they were guaranteed control of their serfs in return for state service. This pact manifested itself in Peter's promulgation in 1722 of the Table of Ranks, which required members of the aristocracy to enter either the bureaucracy or the army at age 16 and to continue in service for the rest of their lives. Although this universal obligation was relaxed in 1762, it continued as an informal social expectation. Unless one had some pressing excuse, the norms of aristocratic service required a lifetime of service at the state's behest (Hartley 2006: 456). Social prestige, in short, was *primarily* associated with where one stood in the state bureaucracy or the army, *rather* than with wealth acquired through entrepreneurial endeavor. This association of social prestige with service was also manifest at the local level. Under Catherine the Great, two new legal codes – the *Statute of Provincial Administration 1755* and the *Charter to the Nobles 1785* – provided for triennial aristocratic assemblies entrusted with the election of local officials. Meanwhile, central administration was coordinated through various "Colleges" (Foreign Affairs, War, Navy, Mining, etc.), reorganized as "Ministries" in 1810 (Shakiba 2006). A determined effort was also made to raise the educational level of Russia's aristocratic "servitors." In 1755, Russia's first university, the Imperial Moscow University (now called Moscow State University), was established under the direction of the scientist philosopher, Mikhail Lomonosov. To facilitate literacy and the spread of Western ideas, Peter also created a simplified Cyrillic script that differed from Slavonic in having fewer letters. In 1710, Russia witnessed the first printed books in the new script (Hughes 2006: 75). The growth of the bureaucracy also provided jobs for ambitious non-aristocrats. Legally designed the *raznochintsy* (literally, "people of diverse origins"), this group of what were effectively lower-level aristocrats was eventually expanded to include university graduates not born into the nobility (Wirschafter 2006: 248–249).

As with most successful reforms, the organizational and social transformations initiated by Peter the Great and Catherine the Great produced positive effects that reinforced the initial benefits. By better marshaling the resources of the state, the Russia of the Romanovs proved a more formidable military foe than its Muscovite predecessor. Following Peter the Great's historic victory against the Swedes at Poltava in 1709, Russia secured access to the Baltic through the annexation of Livonia (modern-day Estonia and Latvia). Under Catherine the Great, Russia also gained access to the Black Sea, occupying the entire northern coastline of this inland waterway. The military weight of imperial Russia also allowed it to participate in the partition of Poland in the closing decades of the eighteenth century. In addition to their strategic benefits, each of these military advances brought with it a basket of human, economic, and organizational resources. Arguably, no ethnic minority provided a greater service to imperial Russia than did the Baltic Germans, an educated elite who were to subsequently make up a disproportionate proportion of the Russian officer corps and senior bureaucracy. So significant was the role of this German elite in the mid-nineteenth century that Herzen (1851/1956: 165, 174, 183–185) complained at length as to the "German" composition of the Russian "government," an administration in which he perceived the swallowing up of the "Slav world" by "the German element." In Poland, the presence of a large Jewish minority also provided Russia with millions of literate, commercially oriented citizens; a group designated as "townspeople" (*meschchane*) so as to fit them within Russia's complex system of social caste. Unlike the highly regarded German population, however, the Russian state always regarded its Jewish members with suspicion. Under a statute enacted in 1804, Russian Jews were confined to the infamous "Pale of Settlement," an area comprising Poland and the Western Ukraine but excluding areas dominated by ethnic Russians (Weeks 2006: 31).

Of all the territorial additions secured by the reformed tsarist state, none was of greater economic and social importance than the Southern Ukraine and the neighboring Kuban steppe, areas that had long acted as the frontier of settlement. As was the case with the American and Canadian frontier, the Ukrainian and Kuban steppes acted as a social safety valve, providing a refuge and a new start as Cossacks for generations of runaway serfs. The closing of Russia's southern frontier, and the "Trans-Volga" frontier to the east of the Volga River, thus entailed immense dangers as well as almost limitless opportunities for imperial Russia. Initially, dangers were more apparent than opportunities as a series of Cossack-led rebellions resisted the enforcement of tsarist control. Of these revolts, the Kondraty Bulavin-led uprising of the Don Cossacks in 1707–1708 and the Pugachev rebellion of 1773–1774 were the most significant, the latter shaking the imperial regime to its core. In the end, tsarist Russia solved its Cossack problem by offering them special status as peasant soldiers, a solution that saw the Cossacks gain free use of their land in return for military service. More problematic for the long-term future of Russia was the incorporation of large numbers of Ukrainians, Byelorussians, Jews, Tartars, and other ethnic groups into the empire as imperial Russia's population rose from 18 million in 1700 to 74 million in 1861. By the late nineteenth century, ethnic Russians (Great Russians) found themselves in a minority, comprising only 44% of the total (Lieven 2006: 22). As security was enforced across the Ukrainian and Kuban steppes, however, the agricultural potential of these regions was realized. Unburdened by the historic legacy of serfdom and its associated agricultural practices, the Ukraine witnessed the emergence of large, commercial estates in the wake of the Napoleonic wars. In his study, *The Development of Capitalism in Russia*, Lenin (1898/1964: 259) records how this "Novorossiya" (New Russia) differed from old Russia in its possession of "huge farms," operating on an "unprecedented" scale and utilizing the most recent forms of agricultural machinery. Increasingly, these new estates were directing toward the growing of wheat for export rather than rye, the traditional Russian staple. Such developments underpinned a doubling of Russia's foreign trade between 1820 and 1840 with agricultural products comprising around three-quarters of Russian exports by value. In this export trade, the most dynamic region was Odessa and the Black Sea littoral rather than St Petersburg and the Baltic, the Black Sea ports being responsible for two-thirds of Russia's grain exports (Ananich 2006: 400).

If the agricultural successes of "Novorossiya" during the nineteenth century were self-evident, it nevertheless remained the case that farm-based exports played the same economic role under the Romanovs as in past periods of Russian history, a role that was to be replicated with devastating and transformative effects in Stalinist Russia. In essence, the agricultural sector was squeezed to fund the lifestyles of a small elite as well as the imported accouterments of a modern state: railroad locomotives, rolling stock, machinery, weapons, etc. The brutal dynamic that lay at the heart of the tsarist economy was revealed in the terrible famine of 1891–1892, when an estimated 500,000 people died even as the port cities of the Black Sea filled foreign freight ships with grain. In describing this tragedy, historians invariably use terms such as "great, disastrous, devastating, and catastrophic" (Simms 1982: 64). In addition to the 500,000 peasants who died, the Russian countryside also witnessed the loss of 3.1 million horses, 6 million sheep, 1.6 million cattle, and 700,000 pigs (Simms 1982: 69). In reflecting upon this tragedy, Sidney Harcave (1968: 275) makes the pertinent point that Russia's peasants always operated "at the margin of existence," without "any reserve of supplies." Despite the immensity of the tragedy, the tsarist state behaved in ways similar to that followed by the Stalinist state in the catastrophic famine of the early 1930s, Simms (1982: 67) observing that "the export of cereals for 1891 was almost as great as that of the previous year." For the tsarist state, the need to import Western machinery and technology, which could only be paid with primary commodities, was more important than peasant lives, Russia's foreign minister infamously declaring that "We will not eat our fill, but we will export" (cited Kotkin 2017: 127).

The famine of the early 1890s points to profound failings in Russian management. Everywhere, the short- and medium-term interests of the state came at the expense of innovation and private sector managerial endeavor. As we have already noted, the Russian state placed heavy demands on its aristocracy in terms of military and governmental service. Even heavier demands were placed on the peasantry. Under the Petrine reforms, annual levies typically took 1.25% of the adult male service for military service. Although the term of military service was reduced to 25 years in 1793 in lieu of the original lifetime requirement, it is likely that few of these conscripts ever returned home (Moon 1999: 87–88; Moon 2006: 371–372). Those most likely to be picked for service were free-spirited and rebellious souls, their removal reinforcing the inherently conservative nature of Russian peasant life (Moon 2006: 385). It is also estimated that collectively imposed taxes and feudal dues typically stripped the peasant household of "around half of the product of their labor" (Moon 2006: 372). Legally enforced restrictions on movement made the transport of goods and people a difficult feat, a problem compounded by the vastness of the Russian landscape and the paucity of transport. The result was a series of disconnected local markets, in which producers in one region remained blissfully ignorant of innovations occurring in an adjacent area. In commenting upon the practices of the peasant artisan and the small, landlord operated factory, Lenin (1898/1964: 382) insightfully observed how:

> Their interests do not transcend the bounds of the small area of surrounding villages. . . . they are in mortal terror of 'competition', which ruthlessly destroys the patriarchal paradise of the small handicraftsmen and industrialists, who live lives of stagnant routine undisturbed by anybody or anything.

Tragically, the legal emancipation of Russia's serfs in 1861 failed to alter the working and living conditions of rural peasants and artisans, a failing that had profound consequences for the future of Russian society. For not only did the *Emancipation Act* fail to deliver the peasant ownership of the land they worked, a number of provisions rigged the process of land settlement in favor of the aristocracy. First, only the landlord – not the peasant – could insist on the sale of the plot that the peasant had historically worked. This favored both the landlord who operated in agriculturally fertile areas (e.g., the Black Earth region) who did *not* want to sell, as well as the proprietor of a derelict estate working poor soil who *did* want to sell. In other words, the law forced peasants to buy poor land while denying them a commensurate right to acquire good land. A related provision also denied the peasant the right to concentrate multiple plots into a single, continuous property. Once more, a right denied to the peasant was given to the landlord, who was given the right to concentrate his holdings at the peasant's expense. Where land was sold to the peasant, the estimations as to an appropriate sale price invariably favored the landlord at the peasant's expense. In the Black Earth region, where few landlords were interested in selling, sale prices were set 20% above prevailing market rates. In the Russian forest heartlands, however, where landlords typically did want to sell, prices were set 90% above normal market prices (Gerschenkron 1965: 743, 738). Moreover, although the Russian state did offer the peasants loans to buy land, it did so by charging interest rates that were 25% to 50% above normal bank rates (Gerschenkron 1965: 736–737).

While the *Emancipation Act* did facilitate the growth of large, commercial estates worked by waged labor in "Novorossiya" (i.e., the Ukraine, the Kuban, the Trans-Volga), elsewhere it had two principal effects, both of which were retrograde. In regions where the peasants proved incapable of acquiring land – whether due to the opposition of the gentry or financial reasons – it left a mass of resentful, poverty-stricken, and largely landless peasants. Where land was acquired, it was typically obtained at exorbitant prices, leaving little money for productive investment in machinery or farm animals. The peasant's capacity to move into a new occupation or line of work also remained severely restricted. Whereas before 1861 the peasant needed to obtain the landlord's permission to move elsewhere, after 1861 peasants required approval from the head of the *mir* or village commune. If approval for permanent departure was allowed, it invariably required the express surrender of all land claims as well as the discharge of all central and local taxes (Gerschenkron 1965: 752). Collectively, such outcomes worked to retard progress in not only agriculture but also the wider economy. Across the 1880s and the 1890s, per capita output of wheat and rye – the two principal grain crops – was lower than it had been in the early 1870s (Gerschenkron 1965: 778). Growth in per capita income also lagged that obtained in the industrializing societies of Northwest Europe, barely improving in 20 years between 1860 and 1880. Indeed, according to the estimates of Paul Gregory (1972: 423), the *comparative* situation of the average Russian was worse in 1913 than it had been in 1860 when measured in constant US dollars. Whereas in 1860, Russia's per capita income was 50% of the British-French-German average, by 1913 it had fallen to around one-third of the Western average. In the final analysis, such failings must be attributed to what Marc Raeff (1983: 206) refers to as an "interventionist and coercive state" that "always assumed that it had the power and the obligation to govern all aspects of the lives of citizens." By seeking to control everything, the tsarist state ended up curtailing the innovation and creativity that characterized "modern management" elsewhere, an outcome that worked to its own long-term disadvantage.

Ideas, Management, and Russian Reality

In his *Fathers and Sons*, Turgenev provides an account of how his central character, Arkady Kirsanov, returns home to the family estate in southern Russia during the summer of 1859, i.e., on the eve of emancipation. What Arkady finds is a semi-derelict property, in which the grand living conditions of his own family stands in sharp contrast to the abysmal circumstances of the serfs whom he finds living in "low peasant huts under dark roofs often missing half their thatch." Distraught, Arkady declares to himself, "it's impossible, impossible for it to stay like this; reforms are essential . . . but how to implement them, where to begin?" (Turgenev 1862/2009: 10–11).

In Arkady Kirsanov's mix of enthusiasm and confusion, Turgenev arguably captures the sentiments of his age, in which wide sections of Russian society agreed as to the need for far-reaching economic and managerial reform while disagreeing as to proposed solutions. Thus, we find in the pages of Turgenev, Herzen, Tolstoy, and Dostoyevsky – as well as in the treatises of revolutionary figures such as Kropotkin and Lenin – a profound and constant interest in rational principles of management. In Tolstoy's (1876/1978: 357) *Anna Karenina*, for example, we read how a leading noble (Sviazhsky) engages "a German expert from Moscow" and pays "him 500 roubles to investigate the management of their property," only to find "that they were losing 3000 roubles odd per year." Similarly, in Turgenev's (1862/2009: 9) *Fathers and Sons,* Arkady's father, Nikolai, employs "a steward who's a townsman," paying "him a salary of two hundred and fifty roubles a year" in the vain hope of returning a profit from his estate. Constantly, however, we read how such reform efforts were obstructed by a peasantry resistant to change. Writing at the end of the nineteenth century, Lenin (1898/1964: 315) lamented how in Russia, "the production of agricultural produce was always carried out in an unchanging, wretchedly small way." Similarly, in *Anna Karenina*, the reform-minded Kostya Levin "struggled with all his might for many years" against the peasant's "everlasting slovenliness" (Tolstoy 1876/1978: 170). Similarly, in *Fathers and Sons*, the revolutionary nihilist, Yevgeny Bazarov, doubts whether "emancipation" would "do any good because our peasants are happy to steal from themselves, as long as they can get stinking drunk at the tavern" (Turgenev 1862/2009: 42).

Concerns as Russia's managerial backwardness, most particularly in the agricultural sector, evoked three main intellectual responses. The first involved doing what most Russian reformers had done across the generations: turn to the West for theoretical and practical guidance. According to Marshev (2019: 286–287), the study of "management" as an intellectual discipline can be effectively dated from 1832 and the publication in Russian of Charles Babbage's *On the Economy of Machinery and Manufactures*. "This treatise," Marshev (2019: 287) observes, "soon became well-known to various professors of Russian universities, as well as statesmen and nineteenth-century entrepreneurs." By the 1840s, the Law Faculties of all four imperial universities were offering courses in public sector management. In the 1860s, German theories of management also gained a following after the publication (in German) of Lorenz von Stein's *Die Verwaltungslehre* (*The Administration*). In this work, von Stein argued that once a student becomes "thoroughly engaged in management" they soon realize "that there is no science that would equal this one in its richness and value" (cited, Marshev 2019: 287). Significantly, von Stein differed from classical economics, with its emphasis on self-interest and markets, in placing the state at the center of effective systems of management. According to von Stein, the state was the personification or "organism of the general will" (cited Mengelberg 1961: 269). Only through the benevolent guidance of the state, von Stein continued, could meaningful social reform occur in ways that avoided destructive conflict (Mengelberg 1961: 272). This emphasis on the state's supposed capacity to foster socially progressive models of management gained wide academic acceptance following the publication of Viktor Goltsev's *The Doctrine of Management* in 1880. The head of the Law School at the Imperial Moscow University, Goltsev had previously studied under von Stein at the University of Vienna. "Like von Stein," Marshev (2019: 287) observes, Goltsev "emphasized the role of the state in fostering an 'improvement of the individual'."

If Western ideas of management – emphasizing alternatively the free-market approach of British classical economics and von Stein's concept of state mentorship – gained an academic following, the idea that Russia should seek solution for its problems by looking to the West was resolutely opposed by "Slavophiles" such as Herzen and Tolstoy and the so-called Narodnik or populist movement. For Tolstoy, the idea that estate managers should be profit-oriented, "fighting for every farthing," was not only an impracticable goal in Russia; it was also "a most unworthy one" (see Tolstoy 1876/1978: 344). Rather than blindly adopting "the European way," the central character in *Anna Karenina* argues, managerial models in Russia only succeed when they accepted "the Russian peasant" as they are, organizing systems of work around them (Tolstoy 1876/1978: 363). For Herzen (1851/1956: 190, 189), as we have previously noted, "the future of Russia" was also identified with "the *moujik*" or peasant, with their supposed aversion to "private ownership." In short, according to Slavophile opinion, the best model for management was one located in Russia's rural and peasant past, rather than in an urban and industrial future.

The view that Russian managerial and work practices should be based on the ethics of the Russian peasant drew criticism from many directions, from both advocates of Western-style liberal democracy such as Turgenev and proponents of far-reaching revolution such as Kropotkin and Lenin. Declaring himself "an inveterate and incorrigible Westerner," Turgenev (1869/2009: 169, 173) accused the Slavophiles – most particularly Tolstoy – of never removing their "rose-tinted glasses even for a moment." Rather than perceiving in the Russian village an idyllic world living in harmony with nature, Turgenev saw a rural society sunk in ignorance, illiteracy, and intellectual backwardness. For Turgenev (1869/2009: 169, 173), no gains were possible without an extension of education and learning to the mass of the Russian population, arguing that "Nothing liberates . . . as much as learning." The view that Slavophiles such as Herzen and Tolstoy perceived the world through "rose-tinted glasses" was one that won Lenin's endorsement, Lenin (1898/1964: 211) accusing the Slavophiles and their "Narodnik" allies of "monstrous idealism." For Lenin (1898/1964: 211), as with Turgenev, Russian peasant life was one characterized by "technical and social stagnation" that led to mass misery rather than enlightenment. Along with most modern scholars, Lenin (1898/1964: 211) also made the valid point that the village commune was far from being an independent expression of popular will. Rather it owed its existence primarily to state and landlord support, ensuring the collection of state taxes and "a supply of labor for the landlords." Of Russia's nineteenth century writers, arguably none had a better appreciation of the gulf that existed between the romanticized understanding of the Russian "progressive" elite and the brutal reality of peasant life than Dostoyevsky, a person who spent a decade working alongside peasant convicts in the tsarist Siberian "Gulag." No matter how "kindly, just-minded, intelligent a man of the higher class may be," Dostoyevsky (1862/1911: 308–309) recorded in *The House of the Dead*, "a bottomless abyss separates him from the lower classes." The gulf between Russia's Slavophile elite was amply demonstrated in the 1870s when thousands of well-educated "Narodniks" ventured into the countryside to enlighten the peasantry as to their revolutionary potential. As Turton (2009: 239) observes, when confronted with these strange city folk, "the profoundly conservative peasants did one of two things: they ignored them or turned them over to the Tsarist gendarmes."

One result of the "Narodniks" failed education campaign was that it convinced significant sections of the Russian intelligentsia that social and economic change was only achievable through violence and terror. From among the ranks of the old "Narodnik" movement emerged a new organization, *Narodnaya Volya* (Peoples Will), dedicated to the destruction of the tsarist state through carnage and force. When the assassination of Alexander II in March 1881 failed to bring down the regime, a campaign to murder his successor (Alexander III) was initiated under the leadership of Alexander Ulyanov. Arrested and executed in 1887, Ulyanov's execution spurred the formation of even more virulent and revolutionary opposition, led by his brother Vladimir, who adopted the *nom-du-guerre* of Lenin. In advocating a Marxist-based revolution, however, Lenin had to explain how a proletarian revolution – based on an industrial working class – could occur in a country where overwhelming majority were peasants. Lenin's attempt to circumvent this theoretical and practical problem in his *The Development of Capitalism in Russia* reveals – despite its collation of a mass of useful statistics – a greater level of confused thinking than is typical even among Slavophile writers. Significantly, most of Lenin's study is given over to a discussion of Russia's peasantry rather than capitalism *per se*, his central argument being that Russia had experienced a profound process of "depeasantizing" (Lenin 1898/1964: 181). On one hand, Lenin (1898/1964: 185–186, 339) pointed to the supposed emergence of wealthy rural "kulaks," a class made up of "the peasant industrialist" and the "peasant bourgeoisie." In truth, most of these "kulaks," who were to be murdered in their millions under Stalin, were wealthy only by comparison with their neighbors. At the other end of the rural spectrum, Lenin (1898/1964: 179) discerned a large "rural proletariat," forced to combine work on their farms with agricultural and industrial wage labor. For Lenin, the fact that this "rural proletariat" still lived on the land, farmed the land, and resided in their ancestral farmhouse was immaterial. As revolutionary socialists, Lenin (1898/1964: 324) declared, "we are very indifferent to the question of the form of peasant land tenure." Lenin's analysis represents a particular unfortunate example of bending facts to suit a predetermined conclusion. For, despite Lenin's arguments to the contrary, the fact that a peasant worked part- or full-time as a waged laborer did not necessarily make them either a proletarian or a socialist. As subsequent events under communist rule were to demonstrate, the Russian peasant certainly viewed proposals for collectivization and state ownership with extreme disfavor. Accordingly, the attempt to build a revolutionary new society on the peasant's presumed proletarian instincts was to culminate, under communism, in one of the greatest tragedies in human history.

The revolutionary enthusiasm of both the *Narodnaya Volya* and Lenin's Bolsheviks brings to the fore the most fundamental question in not only management history but the social sciences more generally: to what extent should changes that promise immense long-term advantages be constrained by the possibility – or necessity – of violence in bringing those changes to fruition? Arguably, none confronted this question more ably than Dostoyevsky does in *Crime and Punishment*, which recounts whom a destitute student (Roskolnikov) seeks to better his own circumstances through the murder and robbery of a wealthy widow. In Roskolnikov we witness not only an individual making criminal choices but also a symbolic representation of a whole class of dissatisfied intellectuals. For those favoring economic amelioration through violence, the matter is, as one character observes in *Crime and Punishment*, just a question of "simple arithmetic" with one "crime" or act of violence "wiped out by thousands of good deeds" (Dostoyevsky 1866/1963: 66). Elsewhere in *Crime and Punishment*, Roskolnikov declares that "the man of the future" always has "a sanction for wading through blood" if this leads to historic good (Dostoyevsky 1866/1963: 236–237). In Dostoyevsky's estimation, however, in words conveyed by the words of Roskolnikov's criminal prosecutor, Porfiry Petrovich, crimes committed in the pursuit of a supposed good never end well; the ill-effects shared not only by the victim but also by the perpetrator, who is transformed from well-meaning reformer into murderous killer. Unfortunately for the future of management in Russia, and the society more generally, in the twentieth-century Russian society was to have the viewpoint of Roskolnikov imposed upon it, rather than that of Petrovich.

Conclusion

Often overlooked by Western scholars, the Orthodox East has provided some of the most important societies in the human experience. For a thousand years, Byzantium not only provided a living link to the Greek, Roman, and Judeo-Christian worlds of antiquity; it also acted as the eastern gatekeeper for European Christendom. Among the societies that owed a cultural and religious debt to Byzantium, none was more historically important than Russia. Like Byzantium before it, Russia occupied a precarious geographical position on Europe's eastern flank, exposing it to invasion by nomadic horsemen. Like Byzantium before it, Russian society also possessed a deeply held belief in its own historic destiny, not only as a defender of Orthodox faith but also as the flagbearer of a culture and civilization that it felt to be superior to all others. Confronted with constant invasion and threats to its very survival, Russian society – like Byzantium before it – chose to give a primacy to communal solidarity and defense, organized around a strong centralized state. In both Byzantium and Russia, however, this centralized state proved as much hindrance as help in providing the resources necessary for societal advance and progress. For, in both Byzantium and Russia, the survival and success of the society came to be associated with a social pact between the state and a militarized aristocracy, an alliance that marshaled economic and military resources by bleeding other sections of society. Invariably, social solidarity was prioritized at the expense of individual freedom, entrepreneurship, and private commercialized endeavor. The historical uniqueness of the Orthodox East has also caused scholars such as Huntington to argue that it is profoundly different from Western Europe, Huntington (1996/2003: 141) declaring that even after the Petrine reforms, Russia remained a society in which "Asiatic and Byzantine ways, institutions and beliefs predominated." According to Huntington and like-mined scholars (Masaryk, Pirenne, Quigley), this cultural orientation has resulted in a society that places little value on individual freedom and liberty. This is a viewpoint that this study rejects. Constantly, across the centuries, the battle to maintain values associated with freedom, individual identity, and personal conscience have remained a constant in Russian history, a battle often waged in the most difficult of circumstances. Certainly, no one can read the works of Herzen, Tolstoy, Turgenev, Gogol, Dostoyevsky, and Solzhenitsyn without realizing that their emphasis on human dignity and freedom has a deep resonance within Russian society. Yet, it is also true that in the highly centralized societies that Russia has produced – Muscovy, imperial Russia, Soviet Russia – an inner sense of freedom could only be maintained through shows of outward compliance and obedience. In justifying such behavior in the Russia of the Romanovs, Dostoyevsky (1864/1972: 48) lamented, "Every decent man in this age is and must be a coward, a coward and a slave . . . Only donkeys and mules make a show of bravery."

If Russian culture has maintained a belief in individual freedom and personal identity, the state's constant emphasis on outward compliance demands a reconsideration of our understanding of what we mean by the terms "management" and, more specifically, "modern management." Yes, it is true that if we look to the classic definition of "management – i.e., planning, organizing, leading, controlling" – we can assume that "leading" necessarily entails employee "motivation." But how does one motivate a serf to work that little bit harder when they know that the fruits of that additional effort will be taken from them? Similarly, how does one motivate a peasant to make additional investments in their plot of land when they know that their village commune will allocate that land to another family in the ensuing summer? Russian estate owners and managers never found an adequate answer to these fundamental questions. As David Moon (2006: 386) observes in relation to the typical peasant response to managerial control in imperial Russia:

> They worked badly on their landowners' land when performing their labour services, stole estate property, accidently broke new machinery . . . paid less than the full amount of their cash dues late, feigned incomprehension of orders, hid in the woods.

Within the confines of imperial Russian society, a host of people sought solutions to the low productivity of the workforce without real success: Peter the Great, Herzen, Tolstoy, Lomonosov, and Goltsev. The reason for this is clear: Russia lacked the supporting social and legal structures that are integral to "modern management" as it is emerged in Western Europe. In the West, such supporting structures not only fostered competition; they also provided labor a genuine freedom to choose their occupation and employer, along with guarantees of individual freedom and protection of property. In looking to the Russian experience, one can understand why these attributes were seldom fostered. By allowing such freedoms and protections, the state feared a weakening of the organizing ability it regarded as essential to national defense and security. However, by denying its citizens freedom of movement and protection of property, the imperial Russian state – like Muscovy and Byzantium before it – curtailed the creativity and entrepreneurship that is the hallmark of a successful society. In the final analysis, this failure proved more damaging to the society than any military defeat inflicted by an invading foe.

Cross-References

► What Is Management?

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Changing Corporate Governance in France in the Late Twentieth Century

50

Peter Wirtz

Contents

Abstract

France belongs to those highly developed western European countries that belong to the G7, the group of seven countries with the most developed national economies. Its national capital, Paris, is home to the Organization for Economic Co-operation and Development (OECD). OECD is an active promoter of international standards of corporate governance best practice. Historically, governance practices are however highly heterogeneous when comparing different national settings. At present, France shares most of the characteristics of a liberal market economy, and its code of reference for corporate governance was the first of its kind in continental Europe when first published in 1995. France's economic

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history, however, has a longstanding tradition of interventionism by the State, and liberal market mechanisms did not have the favor of the political elite after World War II. Since the middle of the 1980s, the French system of corporate governance has undergone major transformations at a relatively fast pace. The public administration has increasingly retired from its active role in corporate governance matters, increasing the weight of shareholder-oriented market mechanisms. This chapter retraces the history of the French corporate governance system over the second half of the twentieth century. Significant change is shown to have occurred in three stages, whose underlying rationale appears to be broadly consistent with North's theory of institutional change.

Keywords

Corporate governance · France · Institutional change · Mental patterns · Shareholder orientation · Stakeholder orientation

Introduction

Corporate governance is a timely and much studied issue. Its historical dimension is however often neglected (Gomez and Wirtz (2018) are a recent exception). The public debate over governance in different countries has led to the spread of corporate governance codes of best practice worldwide (Aguilera and Cuervo-Cazurra 2004). Those codes are in large part inspired by mainstream-theories of corporate governance (Daily et al. 2003; Wirtz 2008) and focus typically on the single dimension of shareholder interest protection. They strongly resemble each other from one country to another, giving the impression of a certain uniformity. Historically, however, there have been major differences in national corporate governance systems. A corporate governance system can be loosely defined as a set of mechanisms (such as legal systems, financial markets, boards of directors) which restrict managerial discretion of the top executive, that is to say the CEO's latitude of action (Charreaux 1997). In doing so, the instances of governance achieve an alignment of managerial behavior with the interests of different types of stakeholders, such as stockholders, financial intermediaries, employees, suppliers, clients, and the State. Mainstream explanations of corporate governance standing in the tradition of agency theory commonly focus on suppliers of financial capital (Shleifer and Vishny 1997: 737), whereas the more recent institutional literature interested in explaining cross-border differences in corporate governance equally considers other stakeholder categories (Aguilera and Jackson 2003). In fact, when examining the practice of governance in real context, one observes the existence of substantial differences in systems across national borders (Aoki 1994; Hall and Soskice 2001; Porter 1992). The Anglo-Saxon systems are traditionally described as being primarily driven by shareholder interests, whereas the Japanese and German systems are thought of as more stakeholder oriented (Guillén 2000; Schneper and Guillén 2002). Yoshimori (1995) makes an empirical investigation concerning a national philosophy's answer to the following question: "In whose interest should the firm be managed?" (Yoshimori 1995: 33). His study identifies three different concepts of the firm: monistic (Anglo-Saxon), dualistic (German), and pluralistic (Japanese), where monistic means focus on shareholder interests, dualistic includes employees' interests and pluralistic refers to multiple stakeholders.

In a way consistent with this observation concerning the underlying "philosophy," the control instruments at the disposal of different stakeholders that are to achieve the interest alignment are traditionally characterized by the important weight of the financial market in Anglo-Saxon countries and by more relational control instances in Japan and Germany (Berglöf 1997; Franks and Mayer 1990; Hall and Soskice 2001; Moerland 1995; Porter 1992; Schneper and Guillén 2002).

Much of the comparative literature is rich of relatively static descriptions of national corporate governance systems. They somewhat obscure the fact that, as a phenomenon of social interaction, corporate governance systems are dynamic and thus evolve over time (Lazonick and O'Sullivan 1997). It is thus important to consider history when studying corporate governance systems. Jensen (1993) describes the example of the American system, inside of which the weight of the capital market has experienced several changes over a long time horizon (Jensen 1993: 850–852). His study suggests some future research perspectives aiming, among other things, at an improved understanding of "how politics, the press, and public opinion affect the types of governance, financial, and organizational policies that firms adopt" (Jensen 1993: 872). Hence, history is needed to further our understanding of the determinants of the dynamic process constantly reshaping the incentive and control mechanisms to which a CEO is subject.

In this respect, the French corporate governance system is an interesting case to study, because it has experienced major transformations over the second half of the last century. As most continental European countries, France's governance system was initially at a long distance from what OECD considers presently as international best practice, but it has also been a fast mover, being the first continental European country to have adopted a governance code in 1995 inspired by the mainstream (Wirtz 2008).

The present chapter retraces the history of the French governance system over the second half of the last century. In doing so, it distinguishes three main stages of development. In search of an understanding of the rationale underlying the temporal dynamics of French corporate governance, this particular historical evolution appears to be broadly consistent with the theory of institutional change set out by D. North (1990, 1993). The remainder of this chapter is structured as follows. The first section gives a brief descriptive account of the basic features of the French system of corporate governance as well as of its most significant transformations. Section "The Evolution of Corporate Governance and the Economic Theory of Institutional Change" briefly summarizes North's theory of institutional change and its implications for corporate governance systems dynamics. The last section then confronts the institutional change theory with the reality of French history.

Historical Evolution of the French Corporate Governance System

Over the past three decades, the French corporate governance system has undergone several especially strong transformations. To fully appreciate their impact, one should be familiar with the historical origins of French style corporate governance.

The Historical Roots of French Corporate Governance

Traditionally, the French attitude towards business makes room for multiple stakeholders. In 1995, Marc Viénot, a former CEO of one of France's most important banks, published a report on corporate governance which benefited from widespread attention in the French business community. It stipulated the "obligation" of the board of directors "to act in all circumstances in the *social interest* of the firm" (Viénot 1995: 6, our translation, italics added). The report then went on to explicitly distinguish this perspective from an approach purely guided by the maximization of shareholder value (Viénot 1995: 9). According to Peyrelevade (1998: 31), a long-time CEO of formerly state-owned Crédit Lyonnais, the concept of the firm which underlies the Viénot report reflected the opinion of the majority of managers in France. Traditionally, in the French public opinion, "profit has a bad smell" (Lesourne 1998: 103). As a consequence, the dominant ideology favored "the prosperity and the continuity of the firm" (Peyrelevade 1998: 39).

The traditional French business philosophy took into account the interests of multiple stakeholders. The French tradition then designated the State as the best suited actor to assure the alignment of all economic decisions with the previously described philosophy. According to Albert (1991: 266), France has cultivated "social colbertism" for a long time. The same author summarizes this doctrine, referring to Colbert, a very influential minister under France's absolutistic monarch Louis XIV, as follows: "the State [. . .] commands the economy in the name of a political ambition and of a strive for social progress" (Albert 1991: 266, our translation). From this perspective, the State's role was perceived as one of a referee between the demands of different stakeholders. It "acts in place of the economic and social actors" (Les Echos 11/17/1998, our translation). In doing so, the State was considered to be a "protector who assures redistribution according to the republican principle of *égalité*" (Les Echos 11/17/1998, our translation).

It is important to emphasize that the control instruments of quite different corporate governance systems are theoretically consistent with a pluralist stakeholder approach of the firm. Why, then, did the French tradition assign such a central role to the State in spite of privileging the mechanisms of direct negotiation between different stakeholder categories? One factor which is likely to contribute to an answer is the existence of very polarized interests in France. In fact, French trade unions are traditionally characterized by a "class-fight ideology" (Albert 1991: 268, our translation). Hence, there is a tendency towards adopting extreme opposite positions. According to Peyrelevade (1998: 32), the notion of compromise often has a negative connotation. Consequently, the State plays the role of a referee. In fact, since direct compromise between certain stakeholder groups is problematic, the structuring of mutual relations necessitates the aid of a "superior" instance. The latter's position was traditionally occupied by the State. Unlike the approach of certain other countries, the French State "is not [. . .] a simple instrument of social administration at the disposal of the citizens. It transcends the individuals and receives of the latter a sort of divine blessing, comparable to the one the monarchs received in the past" (Lesourne 1998: 92, our translation).

France's traditional concept of the firm was thus based on a "profoundly anti-liberal instinct of a large part of the French opinion" (Les Echos 11/16/1998, our translation). This opinion refused to consider a company as a tradable merchandise among others (Albert 1991: 280). Traditionally, free market mechanisms were regarded rather suspiciously, and there was a belief in the benefits resulting from the State's role as an organizer of economic activity. According to this reasoning, the State must intervene in order to eliminate suspicions of private benefits primarily destined to financial investors. As Denis Kessler put it (Les Echos 11/20 and 11/21/1998): "Historically, the two great nationalized sectors were banks and insurance companies; *firms making money business simply had to be state owned*" (our translation, italics added).

Consistent with the philosophy outlined above, the corporate governance system of a substantial fraction of the most important French corporations was characterized by the State's strong influence during a significant lapse of time. In fact, in the past, this influence was exercised at least at four different levels. (1) Industrial politics sometimes led the State to interfere directly with certain important firms' corporate strategies. (2) Its control over the financial circuit was a significant vehicle of influence. (3) The governance structures of the nationalized corporations, which included a certain number of "champions" of the domestic industry, depended directly on government decisions. (4) And, finally, a significant part of the managerial elite owed (and still owe) their education and first professional experience to the public administration.

At the end of the 1940s, a certain number of reforms translated into legal rules the perception according to which the State had the privilege of efficiently organizing economic activity. This exerted a more or less direct influence on the managerial discretion in big corporations. In fact, in sectors considered to be strategic, the State conducted several nationalizations (e.g., energy), or very closely followed the management of firms which had remained in private hands. The latter case concerned, for example, the steel industry. In spite of the fact that it was not officially nationalized until the beginning of the 1980s, the constraints which the State imposed on its strategy were very strong (Lesourne 1998: 96). These constraints' justification was primarily based on the financial resources directed to the development of the sector, which essentially took the form of public funds. The State granted, in fact, loans at a reduced rate of interest. Lesourne (1998: 96) quotes the statement made close to 1970 by a steel manager: "You want to know details concerning our accounts? Ask the public administration. They know them better than we do!" (our translation).

More generally speaking, the State controlled the essential dimensions of the whole financial circuit. Hence, capital export and import were limited because of exchange controls. The stock exchange played but a minor role in corporate finance. In this context, a famous quotation by de Gaulle, former French president and founder of France's "Fifth Republic" (defined by the constitution of 1958), is quite significant: "French politics are not decided at the stock exchange." (our translation). On the contrary, banks and the public treasury and its satellites contributed an essential fraction to financing the economy (Albert 1991: 269). In this context, the State's privileged position appears even more clearly knowing that the large deposit banks were also nationalized after World War II.

The specific governance structures of the nationalized firms depended directly on the government's policy. This concerned notably the composition of their boards of directors. It is, however, important to stress that the force of the State-controlled governance mechanisms varied with the type of firm under study. This force appeared to be most intense in the case of the nationalized firms. But even the private sector felt the (more indirect) influence of the State. In fact, beyond its control of the financial circuit, the public sector was often a major client. In this way, "a close symbiosis takes place between the State and the private groups" (Lesourne 1998: 98).

Close ties between the State and certain corporations, be they nationalized or private, also existed, and still exist, at the level of higher education of the managerial *élite*. In fact, a significant fraction of the biggest French firms' CEOs have received their education at the ENA (*Ecole Nationale de l'Administration*) and/or have started their professional career in the public administration. Bertin-Mourot and Bauer (1996: 22) observe that "it is in France [...] that the transfer of *élites* from the State's to the firms' top positions is greatest" (our translation).

Obviously, the State played traditionally an important role in the French corporate governance system. Albert (1991: 267) describes it as "a *colbertistic* State that has not ceased to dominate the economy: protectionistic and dirigistic on the one hand, but also an investor, [and] entrepreneur [...] on the other" (our translation).

Starting from the mid-eighties, State-control was progressively alleviated. This retreat of the State from corporate control took place gradually. In 1990, Franks and Mayer (1990: 228) still concluded that the public authorities had great discretion in the application of the takeover rules. Hence, in certain cases, the French government had allegedly retarded the takeover of firms by foreigners in order to find a domestic solution (Franks and Mayer 1990: 209). Almost a decade later, the turn-of-century takeover battle opposing BNP to Société Générale and Paribas, three major banks, represented a late attempt of interference by the public administration. But at the same time, it perfectly illustrates the weakening of the effective means of public intervention. In fact, the Minister of Finance and the Governor of the Central Bank would clearly have preferred a privately negotiated solution to an open battle in the market place. In the course of these events, the State's representatives used their right to suspend a revised bid by Société Générale for Paribas to invite the different protagonists to the negotiation (Le Monde 06/27 and 06/28/1999). During the negotiations, the Governor of the Central Bank submitted his own proposals to the conflicting parties. Lacking the power to actually impose his project, the unsuccessful end of the negotiations implied, however, the obligation to wait for the closure of the official stock-exchange procedure. A leading economic newspaper had the following comment. "This frustrating and unfruitful negotiation demonstrates that the public authority lacks the means of actively opposing the fact – in spite of the Finance Minister's publicly expressed wish to the contrary – that the mere 'luck of the market' determines one of the most important movements in banking France has ever known." (Les Echos 07/01/1999, our translation).

A Brief Description of the Major Transformations

The BNP-Société Générale-Paribas case illustrates that the French corporate governance system underwent significant change. In fact, following deregulation, which was initiated by the government in 1984, the evolution of French corporate governance was characterized by the diminishing role of the State (Schmidt 1996). In this context, the 1984 event lay the foundations of a rehabilitation of the capital market. The fact that this step was undertaken under a socialist government may appear as somewhat surprising. French deregulation implied as a consequence that certain companies gained direct access to the financial market to cover their need of capital funds. Hence, the State's control over the financial circuit was alleviated. At first, an important fraction of the major corporations remained, however, under the direct control of the public administration. The government changed in 1986, bringing along a first wave of major privatizations. This further exasperated the State's retreat from direct corporate governance. The impact of the privatization program on the corporate sector in France was significant. In fact, reviewing the literature on privatization worldwide and referring to the aggregate value as well as the number of firms, Alexandre and Charreaux (2004: 467) describe "the French program [as] one of the world's most ambitious privatization programs." The movement was temporarily interrupted due to another change in the political landscape, only to be continued in the form of a second wave of privatizations beginning in 1993. It should be noted, however, that the State's retreat was not complete. In fact, by installing the so-called *noyaux durs* (literally hard cores), the public administration maintained the capacity of at least indirectly influencing the development of the corporate governance structures of the newly privatized companies. *Noyau dur* is the term used to identify the group of major shareholders who were co-opted in the privatization process. Hence, in a first stage, direct control by the State was replaced by control through other companies which held significant capital stakes. The government thus exerted a certain influence by participating in building up these major shareholder groups. What is interesting is the fact that the circle of companies called upon to compose the *noyaux durs* in the context of the different privatizations was rather restrained. As a consequence, the system of corporate governance applying to some of the largest French corporations, formerly subject to the State's direct influence, was characterized by a dense network of cross shareholdings for several years. These cross shareholdings went generally hand in hand with personal ties in the form of an exchange of corporate directors. Finally, around 1995, this network was starting to be undone (Les Echos 12/08/1998), progressively replacing the prevailing system of relational governance by more capital-market related mechanisms. As a result of this process, some of the major companies were henceforth exposed to the pressure of potential takeover.

Significant changes have occurred in the French corporate governance system since the mid-eighties. What were the drivers of this evolution? The following section briefly sketches out the basic rationale of institutional change theory to gain deeper insight into the dynamics of the national corporate governance system.

The Evolution of Corporate Governance and the Economic Theory of Institutional Change

North (1993) defines institutions as “the constraints that human beings impose on human interaction.” There is a great variety of such constraints ranging from formal (rules of law) to implicit (ethical conduct). One implication of the existence of institutions is that, if the institutional constraints are properly enforced, their transgression is costly. In this way, the institutional matrix has a very strong influence on the economic opportunities of the agents it constrains. It is however important to stress that even though institutions impose limits on human behavior, they are never capable of closely determining *every single* decision made by the agents who act in their realm (Mayer and Whittington 1999). For this reason, the human actor has discretion over a number of decisions.

In order to gain a better understanding of the drivers of change of existing institutional constraints, North (1990: 17) makes some behavioral assumptions as to the fundamentally procedural nature of human reasoning and action (Simon 1982). This implies that economic agents act along the lines of trial and error (Simon 1983). This type of behavior can be explained by the fact that a human being never has complete knowledge of all parameters characterizing the environment he acts in, nor does he perfectly understand all factors that affect the outcome of his actions. What helps the economic agent to make decisions in the context of such uncertainty is a theory he holds on the functioning of the world in which he lives. In North’s work on institutional change, such theories are referred to as “mental patterns” or “mental models.” They are the starting block for concrete action within – or on the limits of – a given institutional framework. North (1993) expresses this in the following way. “The key to the choices that individuals make is their perceptions, which are a function of the way the mind interprets the information it receives.” The mental pattern shapes these interpretations and hence influences an actor’s perception of the opportunities implied by the institutional matrix. The latter is the “incarnation” of the dominant ideology, that is to say a mental pattern which is shared by several (influential) individuals. Hence, a given institutional framework can be looked upon as the translation of a shared mental pattern into real institutions. This is somewhat close to Aoki’s (2001) conceptualization of institutions as “a self-sustaining system of shared beliefs.” To understand institutional dynamics, an understanding of changing mental patterns is thus required. As Denzau and North (1994) put it, “institutions clearly are a reflection of the evolving mental models.”

In the theory of institutional change, ideologies and the institutions they shape are modified by the action of so-called “organizational entrepreneurs.” According to North (1993), “the entrepreneurs of organizations induce institutional change as they perceive new or altered opportunities.” This statement can be translated into the terminology of mental patterns, because the latter help explain the perception of opportunities. In fact, an actor must weigh the costs and benefits he anticipates from action inside the existing institutional framework against the costs and benefits he hopes to derive from a change in the rules of the game. In this sense, an individual mental pattern is “entrepreneurial” to the degree that it diverges from traditional ideology, leading to the perception of better opportunities resulting from institutional innovations when compared to a strategy inside an unchanged environment. In spite of its appeal to a (boundedly) rational economic tradeoff, this perspective should not be confounded with accounts depicting man as over-rational and under-socialized. According to economic institutionalism, individuals do not choose their course of action as a function of some set of supposedly objective “real” parameters, but on the basis of their subjective representation of relevant parameters. According to Denzau and North (1994), “people act in part upon the basis of [. . .] ‘half-baked’ theories.” The formation of these theories or mental patterns is partly dependent on the specific socio-cultural context and the personal experience of organizational entrepreneurs. “History matters” to speak with Aoki (2001).

The foregoing discussion highlights the organizational entrepreneur as the driving force behind institutional change. In this context, two general traits characterize the typical entrepreneur. The first has already been presented, namely, the holding of a mental pattern capable of transgressing the limits of dominant ideology. But an innovative approach to institutional matters alone is insufficient to translate one’s philosophy into real action. For this to be possible, the potential entrepreneur also has to dispose of effective means of action. This explains why, in North’s theory, it is not the individual that interacts directly with the institutional matrix. What brings about real change is, in fact, supposed to be the “continuous interaction between institutions and organizations” (North 1993). Thus, the organization can be seen as an enabling device making real action possible. Hence, institutional entrepreneurs are typically the leaders of organizations. It should be noted, however, that the organizations that potentially serve entrepreneurs in an effort to influence institutions of corporate governance are not restricted to the corporate sector alone. The leaders of such diverse organizations as the national government, trade unions, professional associations, and firms may use their organizational infrastructure and resources as a vehicle to initiate institutional change.

The foregoing developments can briefly be summarized as follows. Human individuals act in response to opportunities that are perceived as such through the lens of mental patterns. To the extent that an actor perceives better opportunities in an altered institutional environment than in the existing one, he has incentives to become an entrepreneur. He may initiate real change if he disposes of sufficient

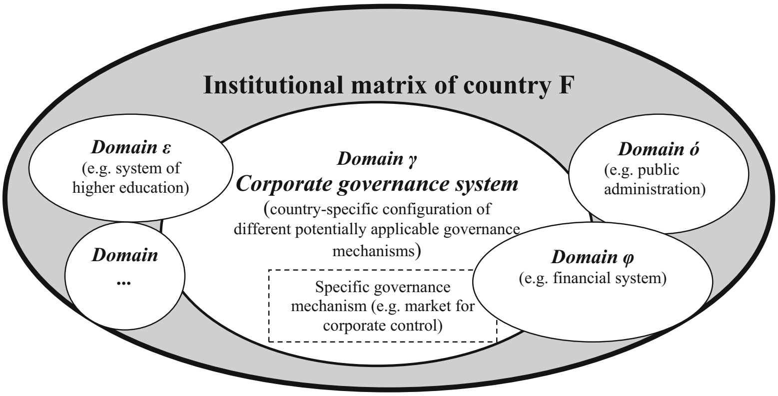

Fig. 1 Different levels of analysis – the relation between a country's institutional framework and its system of corporate governance

resources. The availability of the latter is typically conditioned on the support of an organizational infrastructure.

It should be noted that according to North (1993) the nature of the evolutionary process is supposed to be "overwhelmingly incremental and path dependent." This is consistent with Bebchuk and Roe (1999) demonstrating the relevance of path dependence for an analysis concerning more specifically the institutions of corporate governance.

Restrictions on managerial discretion, as corporate governance was defined earlier, are a special case of "the constraints that human beings impose on human interaction," which corresponds to North's definition of institutions. As a consequence, the system of corporate governance consists of a subset of the entire set of rules composing the institutional matrix of a given country. Figure 1 represents this relationship between institutions and corporate governance, where corporate governance is one specific institutional domain among others, the different domains typically being complementary (Aguilera and Jackson 2003; Hall and Soskice 2001).

The History of French Corporate Governance in the Light of Institutional Change Theory

The following account is mainly based on French sources. The latter range from accounts by academic observers (Albouy and Schatt 2004; Hirigoyen 1994; Lesourne 1998) and by well-informed managers of large corporations having occupied major positions in the French business landscape (Albert 1991; Fauroux 1998; Peyrelevade 1998; Riboud 1999; Viénot 1995) to articles and special inquiries published in the economic and general press (Les Echos; Le Monde). Figure 2 recalls some of the most significant milestones in the process transforming the French corporate governance system.

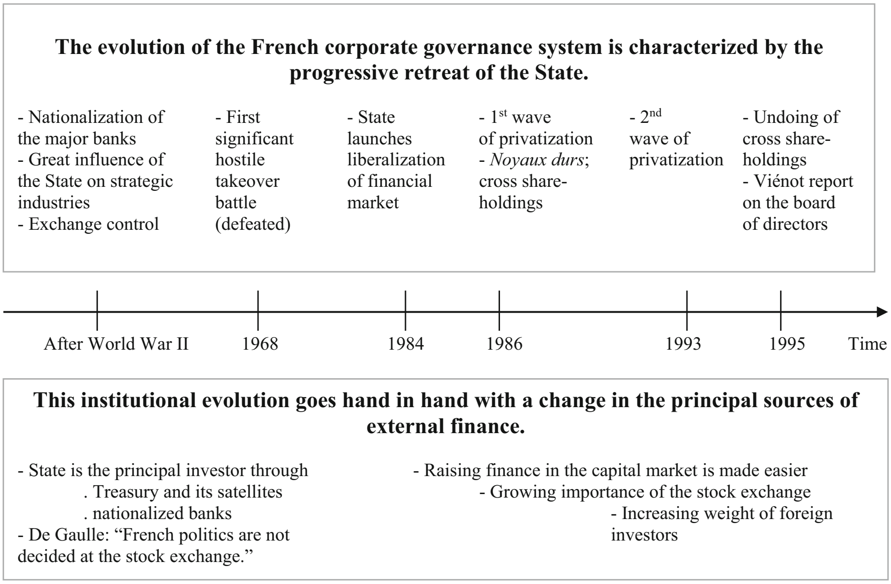

Fig. 2 Significant milestones in French corporate governance

The following analysis systematically examines these changes in the light of institutional change theory. This reading of the evolution of corporate governance in France since the end of the Second World War suggests that it is possible to roughly subdivide the total period into three distinct stages. In fact, a first subsection illustrates how the dominant ideology contributed to effectively counteract the initiative of an individual (isolated) organizational entrepreneur. In spite of such transitory resistance, however, institutional entrepreneurs located at the very heart of traditional French-style capitalism – that is to say the State – eventually succeeded in triggering deep reaching transformations, as will be shown in the second sub-section. Among other things, these transformations brought about a liberalization of capital transfers on a deregulated financial market. In the following years, this made it possible for foreign investors to increase their influence on major French corporations, which is the central theme of the third subsection. In this context, the activism of certain institutional investors, especially from the Anglo-Saxon sphere, appears to have contributed to the promotion and the increasing acceptance of new standards of corporate governance.

The Traditional Mental Pattern Initially Resisted Disruptive Change (1945–1983)

The traditional French concept of the firm was rather hostile towards governance mechanisms that enhance private benefits which can easily be appropriated by shareholders. According to this point of view, the interests of different stakeholder categories were thought to be properly represented by the State's predominant role in corporate governance. On the technical side, this representation was coupled with a preference for relational control mechanisms working through a network of personal ties over anonymous mechanisms of the market. Such an economic "philosophy" was not necessarily shared by every single individual, however, which means that entrepreneurial initiative could not be excluded. This assessment is well illustrated by the conditions surrounding the first important control fight in the French capital market since the end of World War II.

In fact, in December 1968, Antoine Riboud, then CEO of B.S.N. (Boussois-Souchon-Neuvesel), an important glass manufacturer which later took on the name of Danone, one of its better known brand names, launched a hostile raid on his major French competitor, Saint-Gobain. The latter company had been founded in 1665 by Colbert (prime minister to King Louis XIV), and its trajectory has been an integral part of France's industrial history. In his own words, Riboud described the strategic motives of his initiative as follows.

> We [A. Riboud and A. de Vogüé, CEO of Saint-Gobain] had two opposite strategic visions. Our own strategy was to rapidly gain strength in our [main] activities, to concentrate our investments and to specialize our factories in order to ameliorate productivity. [. . .] On the other side, at Saint-Gobain, management was based on a *'colbertistic' conception* of enhancing the value of assets in the long run. 'Immediate profits and short-term return on investment must in certain circumstances be limited to assure long-term security and growth', Arnaud de Vogüé had said. These to strategies had led to results which were translated into the share prices. The 200,000 Saint-Gobain shareholders had seen the value of their shares decline between 1958 and 1968, whereas the BSN share had tripled. (Riboud 1999: 82–83, our translation, italics added).

Perceiving an important potential to create value through the merger of the two groups and in the face of his counterpart's refusal, A. Riboud decided to launch a hostile tender offer. The latter was, at that time, a very unusual strategy in the French context. It thus appears that in Riboud's perception only a radical departure from traditional corporate governance routines, which his active sponsorship of hostile takeover clearly implied, would help to realize the anticipated wealth gains. This observation qualifies Riboud as an organizational entrepreneur in the terms of institutional change theory, for he perceived the opportunities of a change of particular features of country-specific corporate governance where hostile takeovers favoring shareholder value had been absent as a function of his individual mental pattern. The CEO of B.S.N. appears to have lent relatively more attention to shareholders as a stakeholder category than did his counterpart at Saint-Gobain. The latter actually promoted a more traditional *colbertistic* approach. In a manner consistent with his emphasis on shareholder value, Riboud had recourse to a governance mechanism of the capital market, that is to say a hostile tender offer.

The defense of the incumbent Saint-Gobain management was to a large extent based on a campaign mobilizing many stereotypical perceptions that were shaped by the traditional ideology. Thus, Hirigoyen (1994: 377) holds "cultural inertia" responsible for "the impossible success" of the takeover attempt. He shows that different stakeholder categories, such as the employees at different hierarchical levels, members of the board of directors, and even the shareholders, were very attached to continuity. In fact, Saint-Gobain's capital was characterized by weak mobility, hence corresponding to a system of "dedicated capital" (Porter 1992). As Hirigoyen (1994: 378) puts it, "one inherits Saint-Gobain shares, one does not buy them." Hence, in a manner consistent with the traditional shared mental pattern of France, the shareholders' mentality refused to look at Saint-Gobain as a tradable merchandise.

When defending his position, A. de Vogüé, the incumbent CEO, explicitly linked his approach to the public opinion. In fact, he called B.S.N.'s takeover attempt a maneuver "stimulating *instinctive* opposition in the public" (quoted in Hirigoyen 1994: 379, our translation, italics added). By integrating aspects of the dominant ideology into his rhetoric, Saint Gobain's incumbent CEO was able to rally the different stakeholders to his cause. The support given to de Vogüé's defense as a response to perceptions shaped by the shared mental pattern appears hence as a significant cause of the outcome of the takeover battle. Roger Fauroux, who became Saint-Gobain's president in 1980, gives his version of the takeover fight. "[. . .] in order to defeat the financial offers of its adversary, Saint-Gobain had established secret relationships with friendly firms which were to acquire a significant stake of its shares for a high price. Today, these things may seem surprising, but *when honor was at stake, ethical conduct forbade that one counts his money.*" (Fauroux 1998: 42–43, our translation, italics added). The "friendly" companies' support appears thus to have been motivated by shared moral standards. Further contributing to our evaluation of B.S.N.'s strategy as having been opposed to dominant ideology, Fauroux (1998: 43) describes the public opinion's image of the aggressor as "really poorly educated." Riboud (1999: 91) also states that in traditional business circles he had a rather bad image. So everything indicates that in the institutional context of his time, B.S.N.'s CEO transgressed a major taboo.

B.S.N.'s tender offer was eventually defeated, largely because of resistance which was mainly justified by elements of the shared mental pattern. The latter thus contributed to keeping the French system of corporate governance on its historical path. As a matter of fact, France did not develop a relatively active market for corporate control until the 1990s. The turn-of-century takeover-fight (1999) opposing three major banks (BNP, Paribas, Société Générale) indicates the great distance French capitalism has traveled since B.S.N.'s defeat. The following section delves deeper into the events that subsequently influenced the gradual change of French-style corporate governance.

The State as a Platform for Institutional Entrepreneurs (1984–1994)

According to Lesourne (1998: 132), the traditional representation of French business relations was at its highest in the 1960s. In fact, at that time, economic growth increased people's confidence with respect to the predominant ideology, which seems consistent with the idea of a positive feedback loop linking supposedly efficient outcomes to a perpetration of the dominant ideology. Subsequently, the French mental pattern however underwent certain transformations. In this context, some well-informed observers speak of “a forceful penetration of American values into France” (Albert 1991: 274, our translation). This evolution was made possible by the State itself. The latter appeared to be the central instance of governance according to the shared mental pattern. Interestingly, it is precisely the initiative of the public administration which triggered a vast transformation of the French financial market. In fact, in the middle of the 1980s, the government “heals France’s inhibitions and rehabilitates the fundamental values of the market economy” (Albert 1991: 269, our translation). The increasing role of the capital market in corporate finance progressively induced a change in the attitude towards certain governance mechanisms. Hence, ideas spread, which were traditionally more readily associated with the Anglo-Saxon referential. The increasingly internationalized capital market thus appears to have been one important vector pushing a change in dominant ideology. As a matter of fact, a significant proportion of the largest French firms is presently in the hands of foreign investors. The most active among them, as it is the case of certain American pension funds, promoted – and still do – a mental pattern which emphasizes shareholder demands and governance mechanisms supposed to maximize shareholder value. Accordingly, the pressure coming from the capital market came to be perceived by French managers as a challenge to the established system of corporate governance. The following quotation from the Viénot report is a typical example of the influence the perception of the demands from the market exerted on French thinking about corporate governance: “the Committee notes that the participation of independent directors complies with a *demand from the market*” (Viénot 1995: 15, our translation, italics added). According to Peyrelevade (1998: 43), who is even more radical in his conclusions, the need to have recourse to finance of foreign origin forces compliance with the “ideas of the *Financial Times.*”

To summarize the preceding developments, one can say that the State, which was at the very heart of the traditional shared mental pattern, was also at the origin of an important move to liberalize the French financial market. In this way, the public administration contributed to legitimize a concept of the firm, which diverged from traditional ideology. Following this initial move, the financial market became an important vector for the diffusion of a “philosophy” of corporate governance, which gradually started moving away from the traditional French representation of efficacious control and incentive mechanisms. The public debate concerning the rules of “good governance,” which put increasing emphasis on shareholder interests (Peyrelevade 1998), was far from being neutral with respect to the actual institutions of governance. The shared mental pattern (or dominant business philosophy) in France hence made increasing room for the market.

It was in 1984 that the State created the basis for its progressive retreat from the control of large corporations. What is interesting is the fact that this major reorientation took place under a socialist government. A priori, this may strike as rather surprising, but it eventually facilitated the legitimization of the increased importance of the market by other political currents. In the middle of the 1980s, the role of the entrepreneur with an innovative approach to the conditions of corporate governance was thus played by leading members of the French national government. Financial deregulation, which was initiated in this way, has been a significant cause of the long-term development of the market's role in corporate control. The COB (later re-baptized AMF, which is Frances's equivalent to the SEC) received strong authority (Albert 1991: 271) in order to ascertain the proper functioning of the capital market mechanisms. Conceived to assure the security of operations and to guarantee investor interests, the new rules contributed to extract the stock exchange from its formerly marginal position in the French economy. Hence, for certain firms, the State facilitated the direct access to market finance.

But at a first stage, in spite of the impulse given to a liberalization of the financial market, not all firms were free to procure themselves finance at the stock exchange. In fact, the nationalized sector, being composed of some of the biggest companies, continued to play a very significant role. In this context, a second major change took place in 1986. The Chirac government launched the first important wave of privatizations. The following account helps appreciate the far reaching implications of this event.

> [. . .] eight large groups, the majority of which are of enormous importance (e.g. Saint-Gobain, Paribas, CGE, Havas, Société Générale, and Suez), were transferred from the national to the private sector. The initial motivations of this new French policy can make one think of a target such as approaching the Anglo-Saxon model, in that increasing the dimension of the stock exchange by creating several million new stockholders had priority. (Prodi 1991 'Entre les deux modèles'. *Il Molino*, quoted in Albert 1991: 265, our translation).

The privatization procedure, however, took on a very particular form, which should shape the face of French capitalism for several years to come. In fact, the French State did not want the newly privatized firms to become easy takeover targets for foreign interests. Because of this, the so-called *noyaux durs* (hard cores) were installed. These were groups of permanent shareholders, controlling significant capital stakes. In this way, even though it retired from direct control of privatized firms, the public administration still maintained some influence on the future evolution of their control structure. One important peculiarity of the *noyaux durs* system was that a relatively restrained circle of companies was called upon to compose the groups of permanent shareholders (Les Echos 12/08/1998 'Le Planisphère'). Consequently, a very dense network of cross shareholdings was created. "Hence, most of the big French companies, be they private or privatized between 1986 and 1987 or between 1993 and 1994, were often shareholders of their own principal shareholders" (Les Echos 12/08/1998, our translation). It is also interesting to note that the exchange of capital stakes generally went hand in hand with an exchange of corporate directors. Consequently, the corporate governance system was characterized by a relational network which was relatively well shielded off against outsiders.

The privatizations of 1986 clearly decreased the State's direct control. However, the initiative was temporarily interrupted as a result of the election of a new government. Hence, an analysis of the evolution of financial relations concerning the biggest French firms shows that, in 1991, the nationalized companies were still quite numerous and of considerable weight (Les Echos 12/07/1998). Later, a new change of governments took place in 1993 leading to a second wave of privatizations. The latter still operated by installing groups of permanent shareholders and thus reinforced the previously described network of mutual relations.

It is interesting to note that these major institutional changes were launched as initiatives by the State. The organizational entrepreneurs, who were at the origin of this process, must hence be located at the level of the public administration. With respect to this issue, it is useful to recall the assumption that an entrepreneur has to comply with two conditions. First, he should have a perception of opportunities that partially diverges from traditional ideas. Second, he should dispose of some sort of enabling device to realize his strategy. In this context, it seems probable that liberalization gained legitimacy by the fact that the representatives of the State, central player in the shared mental pattern, were themselves the initiators. This may explain why, in this case and quite to the opposite of Riboud's earlier isolated initiative, the traditional ideology was not a serious obstacle to institutional change any more. The first *noyaux durs*, which were in part composed of still nationalized firms, featured a clear preference for a French solution. In this way, the State indicated its wish to transform the system, without stimulating too violent a departure from national routines.

The growing importance of capital market mechanisms for the governance of French firms at the end of the 1980s is also illustrated by Franks and Mayer's (1990: 198) observation, according to which only recently "a number of hostile bids have been launched in France and [. . .] these are set to increase in the future." In fact, simultaneously with the State's first major draw-back from direct corporate control, the disciplining force of a potential hostile-takeover risk was kept small for certain companies, as a consequence of the abovementioned network of cross shareholdings. Hence, the evolution of the governance system since 1984 really was double. It was characterized by two distinct forms of control substituting for the traditional State-dominated governance mechanisms. In fact, direct control by the State was progressively replaced, either by a system of cross shareholdings or, in the rare cases of widely held firms, by the pressure stemming from a potential hostile tender offer.

The Increasing Capital Stakes of International Investors and Their Consequences (1995 and Later)

In the context of globalization, French firms have increasingly been exposed to international competition. But on a global scale, the big French companies not always played in the major league. A strategy oriented towards internationalization, as explicitly promoted by some CEOs, such as those of French steel producer Usinor (Wirtz 2001), later renamed Arcelor-Mittal, for a relevant example, led to important demands for external capital funding. In this context, one possible solution for firms was to call on the liberalized financial market to supply the necessary financial resources. Recall that certain companies had gained direct access to the capital market due to the various initiatives of deregulation and privatization conducted during the 1980s. As a consequence of the growing international integration of capital markets, transaction costs were constantly reduced. This facilitated the implementation of those investors' strategy wishing to (geographically) diversify their financial investment portfolios. Hence, a major proportion of the biggest French firms came to be characterized by a capital structure where foreign investors gained increasing weight. In fact, a study conducted by the *Conseil National du Crédit et du Titre* on corporate finance in France considered that, "during recent years, finance from nonresidents has been amplified because of their wish to diversify their placements" (CNCT 1999: 181, our translation). In only 10 years, the proportion of the French stock exchange's capitalization held by foreign investors increased from originally 10% to 36% (statistics from *Banque de France*, quoted in Les Echos 12/09/1998). Hence, CEOs wishing to issue new equity increasingly came under the influence of actual and potential foreign stockholders. In this context, especially the Anglo-Saxon pension funds, very attached to shareholder value, were quite active in defending their own stockholder-centered "philosophy" of corporate governance. Aguilera and Cuervo-Cazurra (2004) have recently put significant emphasis on Anglo-Saxon institutional investors' activism as one important driver of the diffusion of codes of "best practice" in corporate governance on a global scale. The following account highlights institutional investors' potential role as organizational entrepreneurs relating to issues of corporate governance: "Activism represented a shift [. . .] to institutions challenging managers and directors on a variety of issues, such as urging firms to make structural changes in their boards of directors and redesign firm voting procedures. Leading institutional investors, such as CalPERS in the USA, believe that 'good governance is good business', and hence will by default create shareholder value. The fact that in 1996 CalPERS established a corporate governance office to pressure domestic and international firms to adopt shareholder-friendly proposals and other measures designed to improve stock performance is an example of growing shareholder activism." (Aguilera and Cuervo-Cazurra 2004: 428).

Anglo-Saxon institutional investors of this sort typically disliked the opaque network of cross shareholdings and interlocking directorships pervasive in the French economy up to the mid-1990s. Consequently, the growing importance of foreign investors in big French companies' ownership structures coincided with successively disentangling the capital links established in the middle of the 1980s and at the beginning of the 1990s. Les Echos (12/08/1998), comparing data for 1991 and 1998, observed a "historical decline of cross shareholdings." This phenomenon appears to have been accelerated since 1995. Consequently, some of the largest French firms acquired more diffuse ownership than in the past, exposing them to disciplinary mechanisms historically absent from French-style corporate governance, such as hostile tender offers. Capital structure statistics concerning the biggest French firms and published by Les Echos (12/08/1998) show that ten of the corporations composing the CAC 40 stock market index had attained a proportion of permanent shareholders inferior to 15%. To be sure, when compared to Anglo-American ownership patterns, the capital structure of French corporations remained relatively concentrated on average (La Porta et al. 1999). However, the present chapter's emphasis lies on the historical transformation of a given national corporate governance system, and France experienced real change in the form of a significant decrease in the density of cross shareholdings (Les Echos 12/07–12/10/1998), in spite of persisting international differences. So, what continued relative concentration of ownership really teaches us about patterns of corporate control in France is not that they were static, but that their past evolution was highly path-dependent. In certain cases, the real influence exerted by active Anglo-Saxon investors on the governance mechanisms of (even family controlled) listed firms became especially strong. This can be demonstrated by the analysis of the successful proxy contest over Groupe André, initiated in early 2000 by the Franco-American investor Guy Wyser-Pratte and supported by another Anglo-Saxon investment fund, NR Atticus (Albouy and Schatt 2004). After having acquired a significant foothold through the stock market in Groupe André's capital structure, initially 25% family-controlled, the professional Anglo-Saxon investors defeated incumbent management and successfully imposed significant changes in the composition of the supervisory board. This precedent casts, as a matter of fact, serious doubt on the continuing relevance of a representation of French capitalism as being efficiently shielded off against the interests of shareholders acting in the stock market. The fact that the André proxy contest was quite unique in the French setting when it occurred made it an entrepreneurial initiative in the above-defined sense. Quite interestingly, the protagonist of this move to actively curb managerial discretion, Guy Wyser-Pratte, explicitly stated his desire to push French practice of corporate governance toward "American principles" (Albouy and Schatt 2004: 60).

The increasing weight of foreign investors may be explained, at least partially, by the conditions surrounding the supply of and the demand for foreign capital funds in the French economy. On the supply side, big institutional investors wished to geographically diversify. They were and are, above all, interested in firms (French or other) that offer *from their point of view* the best perspectives with respect to return on equity. The latter is conditioned by a company's approach to the creation and the redistribution of value. The investors' appreciation of a firm's capacity to create value and to distribute it in a supposedly "appropriate" way, thus enhancing return on equity, depends on their mental pattern. Hence, it appears to be plausible that at least those French corporations which came to be characterized by very large capital stakes held by Anglo-Saxon institutional investors gave an image of themselves as being managed according to shareholder-oriented standards of governance.

When examining the demand for foreign capital funds emanating from French companies, one may observe that it was to a great extent stimulated by certain structural features of national savings. In fact, "[French] households have a strong preference for the liquidity and the security of their investments" (CNCT 1999: 182, our translation). Thus, even though the study of the CNCT (1999: 183) clearly indicated national savings in excess of domestic needs, households invested only an insignificant part of their savings in corporate shares. In addition, those of the French financial institutions traditionally specialized in the management of a significant proportion of national savings also invested very little of the funds under their control in corporate equity. The CNCT (1999: 184) concluded from figures from the *Comité Européen des Assurances* (European Insurance Committee) that, "in a group of seven European countries [Germany included], France is the one where insurance companies invest the weakest part of their funds in corporate shares [approximately 15%]." Consequently, it seems plausible to suppose that French firms issuing equity in the financial market, probably more so than their counterparts in other national economies, underwent increasing pressure to comply with demands from foreign investors. This was at least partially a consequence of the weak propensity of domestic investors to put their money into corporate shares and of the simultaneous supply of excess funds from nonresidents. Hence, the CNCT (1999: 194) stated that "the portfolio investments of nonresidents in the French market progress strongly and have attained 414 billion French Francs in 1997 [, against 257 billion Francs of portfolio investments made by residents in foreign countries]" (our translation).

As far as corporate governance is concerned, the massive arrival of foreign capital stimulated an intensifying debate over the efficiency of the French corporate governance system. Hence, the recommendations of the Viénot report were mainly justified by the perception held by French CEOs concerning the demands from investors acting in the financial market. Marc Viénot expressed this in the following way: "[. . .] the strongest pressure in favor of transparency and of better shareholder information has come from Anglo-Saxon pension funds, the latter being very determined on this issue. The weight of their capital stakes also gives much weight to their recommendations." (quoted in Les Echos 12/09/1998, our translation). As a matter of fact, the fundraising activity of several significant corporations exposed French firms to entrepreneurial action emanating from institutional investor activists aiming at a transformation of particular features of the historical French configuration of corporate governance mechanisms.

Conclusions

This chapter proposes an analytical account of the major historical transformations of the French corporate governance system over the second half of the twentieth century. Two main objectives guided this investigation. Historically, there was a gap in the comparative international literature on corporate governance systems, which much neglected the French case. The latter is of special interest because of several major changes that took place over a relatively short time span. It is thus a particularly relevant case to study the underlying rationale of institutional change. The stylized facts concerning the transformation of corporate France over the last decades seem roughly consistent with D. North's theory of institutional change. Different initiatives to introduce new governance mechanisms into the French setting emanated from so-called organizational entrepreneurs. These entrepreneurs disposed of mental patterns that diverged more or less from traditional business culture and ideology. The latter represented however a serious obstacle to disruptive changes in traditional routines of corporate governance in certain circumstances. So the evolution of the French national corporate governance system, though real it may be, was shown to be highly path dependent.

The analysis indicates that the State was, for a long time, the primary platform for institutional entrepreneurs in France. Private initiative played a relatively less important role. In fact, an institutional innovation was attempted by the CEO of B.S.N., in 1968, but ran into fierce opposition and was consequently abandoned. One of the interesting aspects of the transformation of French capitalism is that the State was at the origin of its own progressive retreat. Hence, the traditionally strong institutional support for the entrepreneurial initiative by members of the State executive having diminished, the field was left open to potentially new types of entrepreneurs. Recently, institutional investors have proved very active on this front, promoting a "philosophy" of corporate governance which aims at enhancing shareholder interests.

Cross-References

► Keynesianism: Origins, Principles, and Keynes's Debate with Hayek

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Flexicurity: The Danish Model

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Contents

Abstract

The Danish labor market system is often referred to as the Danish Model. It is an example of *flexicurity*, a term that combines the words security and flexibility.

This system boasts of more than 100 years of history, and it is one of the preconditions for the rich Danish welfare state, which has a generally high income based on rather small but adaptable firms. The basis for this system is the collective agreements established through negotiation with a "balance of compromise" accepted by both employers and employees. The state normally does not interfere in the negotiations.

The well-functioning Danish Model has many similarities with the systems in the other Nordic countries. The word *flexicurity* was first used in the Netherlands

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in the mid-1990s to refer to political initiatives. Flexicurity inspired by the Danish Model became official EU policy incorporated into the European Employment Strategy in 2007, and it has since become a political initiative promoted in different plans and closely monitored.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits, but the Danish Model is itself under pressure from both internal and external forces during a time of rapid globalization and international competition. Regardless, the Danish labor market and government policy still effectively balance both employers' and employees' interests. The Danish Model is still alive.

Keywords

Flexicurity · Denmark · Labor market · Danish Model · Income security · Active labor market policy

Introduction

The Danish labor market system is considered a well-functioning arrangement and is often referred to as the Danish Model. It is often cited in the literature as an exemplary model of flexibility plus security, or flexicurity. The Organisation for Economic Co-operation and Development (OECD) highlighted the model in 2004, and the European Commission officially made it a part of the European Employment Strategy in 2007.

The basis for this system is the collective agreements established through negotiation with a "balance of compromise" that is accepted by both employers and employees. This article discusses the formation of this long-lived relationship and the recent state. It is compared to the situation in other countries and to political efforts to export the system to other countries. The system itself is under pressure, and its future development concludes the discussion.

The History of the Danish Model

The young American economist Walter Galenson worked as a labor attaché at the American embassy in Denmark just after World War II. He was fascinated by the Nordic method of handling the labor market, which led him to research how it functioned. His study was published in 1952 in the book "The Danish System of Labor Relations. A Study in Industrial Peace" (Galenson 1952). He observed a relatively harmonious relationship between the trade unions and employer associations. Both parties handled most labor market regulations without governmental regulation. The few conflicts that did occur were small and resolved in a controlled way.

Research on the Danish system (or the Danish Model as it later was called) was still a rather understudied field until the publication of “The survival of the Danish Model. A historical sociological analysis of the Danish system of collective bargaining” (Due et al. 1994), which was one of the many studies performed by the Employment Relations Research Centre (FAOS) in the Department of Sociology at the University of Copenhagen. A similarly productive national center was established to study the Danish Model at Aalborg University in the CARMA (Centre for Labor Market Research).

The Danish Model was the outcome of numerous historical developments (Due et al. 1994; Jensen 2017a, b; Knudsen and Lind 2018; Kristiansen 2015a, b; Larsen and Ilsøe 2016; Madsen 2008; Scheuer 2007). It was not a result of a preconceived overall plan but was instead the product of different political elements established in different situations over time. Once implemented, an element had a strong aspect of path dependency during later development. Over the years, the parties have cultivated mutual trust and respect such that the bargaining model has been solidified as a joint ideology for more than 100 years (Dunlop 1959). All Danish governments on the left and right have accepted this ideology.

A low level of employment protection was established in 1899 after a long period of worker strikes. It ended in negotiations between the two main organizations – the Confederation of Danish Employers (Dansk Arbejdsgiverforening – DA) and the Danish Confederation of Trade Unions (De samvirkende Fagforbund – later LO, now FH). After a rather peaceful process, the Danish workers’ unions accepted the employers’ right to freely hire and fire in the so-called September Agreement. Employers had the right to manage and distribute work. In return, the employers recognized the unions’ right to organize and to be the representative counterpart in collective agreements on behalf of the unions’ members. With this compromise, the Danish employers were among the first to accept trade unions and negotiations for collective agreements. This step was important for workers. Previously, employees could be criminally liable for taking part in collective actions. However, with this new agreement, collective actions were allowed in certain situations.

The Danish labor market is characterized by a high level of self-management by social partners. The government followed the September Agreement with legislation (Kristiansen 2015b). A joint commission consisting of representatives from the two areas of industry was established in 1908 on an initiative from the government. Two years later, the government decided to establish the Labor Court Act and Mediation Act. Both instruments enable the labor market to solve problems themselves. Through the rules of the Mediation Act, “neutral” mediators can take care of compromises in collective bargaining rounds. “Conflicts of rights” can be solved by the labor court by judges appointed by the organizations themselves and with a legal judge appointed by the government. It has become a special court with high decision-making authority and without the possibility of appeal.

The development has experienced a periodization based on the degree of centralization in negotiations after the current rules for collective bargaining were introduced in 1934. Until 1950, national bargaining was decentralized by trade through the next period in 1979 by national agreements between the two national organizations for employers and employees. A third period from 1981 to 1991 shifted back to a trade-by-trade bargaining, while the structure of both national organizations progressed. Within a few years, the number of bargaining agreements fell from 650 to 20–25. Currently, most negotiations are local and are performed under a national frame called an *organized/centralized decentralization.*

To help make agreements, a state mediation body was established 1910 called the Conciliation Board, which has extended competencies that enable the parties to renew collective agreements. Through this approach, a rather strong centralized system of collective bargaining was established. An arbitrator was allowed to intervene in conflicts if he or she judged a conflict to have negative consequences nationwide. The arbitrator could send suggestions for a ballot. It has become possible to send suggestions in packets with several areas of the labor market together, and the majority can decide and overrule single areas.

This framework established the labor market's basic structure. In many ways, it is an unusually and internationally unknown system with its detailed rules for intervening in the parties' actions. As a result, the Danish state expanded legal control of the labor market at a time when the general attitude was that a state should not interfere in economic and social life. Relatively few areas of working life were covered by law compared to other countries. Even many International Labour Organization (ILO) conventions concerning working life issues were not ratified as, for example, the 1919 convention regarding the 48-hour work week.

The September Compromise existed until 1960 when it was replaced by a new compromise, the Main Agreement. One new element was a rule pertaining to the dismissal of an employee. The agreement established that a dismissal should be reasonably justified either by the circumstances associated with the employee or the employer.

The pragmatic solution was now a "mirror image" of the dominant political situation in the Social Democratic labor movement in which the political party in parliament accepted the market economy and capitalism (Jensen 2017b). Politics concerned "politics along the market*"* to secure better living conditions by improving market function. The trade union movement was very closely connected to the dominant Social Democratic party. Except in the years after each of the two World Wars was the ideological rivalry very weak, and the labor movement performed to a large degree as a unified whole. The majority of unions in 1898 joined the national labor organization. This organization had representatives in the Social Democratic party, and the party had representatives in the labor organization executive committee.

The trade unions have traditionally displayed a high degree of unionization. Most trade unions have been organized along craft principles together with two unions for unskilled workers. Craft unionism can position union members in the labor market better than trade unions based on principles of geography to be general or divided after industrial area. In particular, over their history, crafts have developed traditions in the guild-based production system to help unemployed peers and prevent them from experiencing decreasing wage levels. The craft unions became forerunners in the formation of union-run unemployment funds. The first funds emerged in the

1880s, and in 1905, 32% of all union members were covered by union-run unemployment funds. Since 1907, the state supported those funds. The voluntary system was chosen because it was cheaper for the state to have income from insured persons. The system, which was called a “Ghent system” after the Belgian city, has only been established in a few countries. Besides Denmark and Belgium, the system is only operating in Sweden and Finland (Lind 2009).

The trade unions have, in general, been pragmatic and cooperative (Knudsen and Lind 2012b). In reality, the important unions have never been split into religious or political parties. In 2018, the union of Christians (KRIFA) had only 135,000 members out of almost 3 million workers, and it had never influenced collective agreements. In 1995, the tight connection between the Labor Organization and the Social Democratic party was formally halted. During those years, new non-political, or “yellow,” unions came on the scene. The majority of workers were still members of trade unions, which gave them the ability to be a powerful negotiating body against employers.

In the 1960s and 1970s, the unemployment insurance system was improved. During years of increased unemployment, the government raised the benefits to 90% of former wages up to a maximum. This improvement was paid by the state. A number of conditions must have been satisfied for the workers to get unemployment benefits, but since 1979, they have gradually tightened. The length of the period receiving benefits was gradually shortened from 9 years in 1994 to 2 years in 2011.

Workers have received a high level of representation and participation in decision-making in the workplace. Shop stewards as the representatives of the local trade union appeared in 1900 in agreements for the iron industry, and they later spread to all other sectors (Knudsen 1995). Their role is to represent the interests of the employees and the union locally and to “do his best to further good and smooth co-operation in the shop.”

Another institution involved in decision-making is cooperation committees. They are joint management-employee bodies established in larger workplaces to discuss “management issues.” In the seats are shop stewards and representatives of employees without a shop steward. This institution has existed since 1947 after an agreement between the Labor Organization and the Danish Employers’ organization. Since then, the rest of the labor market has followed suit, including the public sector.

A third institution in the local cooperation is the health and safety committees for workplaces. They are organized under the auspices of governmental laws made after intense negotiations with the members of the labor market. They play a role in discussing and monitoring conditions relating to safety and health. The representative from the employees is a type of shop steward and has job security.

The company boards are the first institution permitting employees’ involvement. In public limited companies, they elect representatives to one-third of the seats on the boards according an act established in 1973.

There has never been an official minimum wage enacted by the government. A wage level is negotiated between the labor markets themselves. In general, the government is neutral with regard to wage negotiations except in cases of unsolved conflicts that threaten the economy.

An active labor market policy was a new issue for the Danish Model as a result of major reforms during the 1960s. Inspired by the Swedish Rehn-Meidner model (Hedborg and Meidner 1984), reforms were implemented with a slightly lighter touch. The aim was to improve qualification flexibility, especially for reforms relating to the education and training of workers (Fig. 1).

The previously mentioned advantages of the labor market need to be viewed in connection with the development of the welfare state, which is thanks to "welfare capitalism" as a result of an efficient economy and an equity outcome (Esping-Andersen 1989). However, the welfare state is not only the result of the labor market, but it emerges in parallel with the rise of a modern state bureaucracy.

Another reform was the move of the Labor Exchange away from the municipalities and trade union-controlled unemployment funds to the hands of a central governmental body in the middle of the 1970s. The unions lost their control of the local labor market, but the reform was combined with increased financing of the unemployment funds by the state. In the 2000s, the Labor Exchange was returned to the municipalities.

The policy around 1970 touted full employment as an official goal, and macroeconomic policies inspired by Keynes to regulate the market economy were believed to be responsible for unemployment. Training and retraining became an instrument during the 1980s. This scheme became a duty in the 1990s, and since 2000, this has become a means to encourage the unemployed to find jobs.

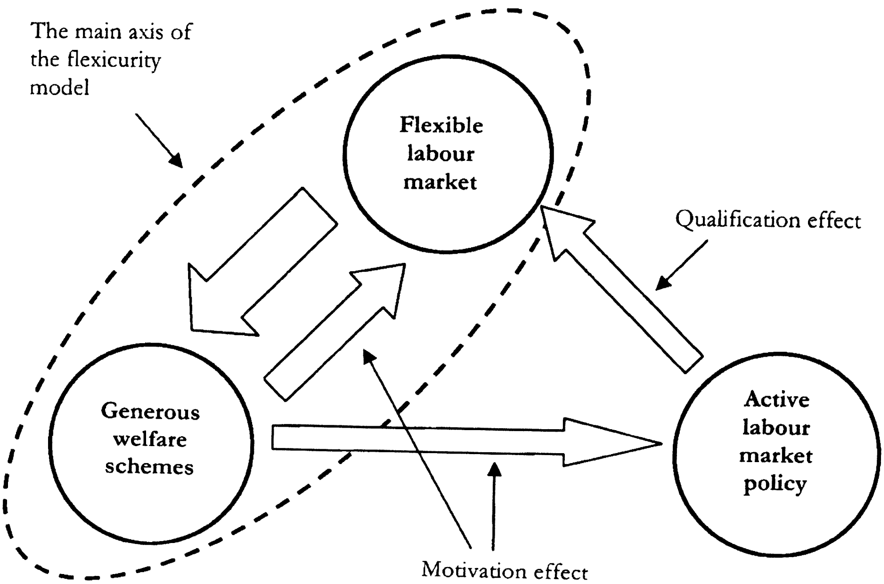

Fig. 1 The Danish flexicurity model. The two most important axles in the model are at the left, but a third leg at right is added to shape the "golden" triangle with the active labor market policy (Madsen 2007, 66)

As with all models, the reality is more complex. This is the case with the Danish Model. Some researchers have discussed whether there is more than one Danish Model. The mostly researched model is a blue-collar flexicurity model for primary skilled and unskilled workers. Another model could be considered a white-collar flexicurity model covering the primarily employees with midrange or high-range education and qualifications (Jensen 2011).

The Flexible Labor Market

The employment flexibility index for EU and OECD countries ranks Denmark first in flexibility with an overall score of 96.9% (Table 1; Lithuanian Free Market Institute (pub) 2018). The United States and Japan are the closest competitors in the overall ranking with a score on 92.4% and 91%, respectively. The index constitutes four subindexes: hiring received a score of 100 because of the lack of restrictions or limits on the duration of fixed-term contracts, in addition to the existence of no governmental rules regarding a mandatory minimum wage. The subindex for redundancy rules likewise provided a score of 100 because redundancy dismissals are allowed by law and there are no restrictions on redundancies. The redundancy costs also gave a score of 100 because of the lack of a statutory notice period or statutory severance pay in cases of redundancies for normal workers. Only the subindex for working hours scored 87.5. Despite a mandatory 25 working days paid annual leave, the score reduction was the result of no restrictions and no

Table 1 Employment Flexibility Index 2019. Selected countries from the index. (Lithuanian Free Market Institute 2018, 6).

Denmark	96.9
United States	92.4
Japan	91.0
United Kingdom	83.2
Canada	82.6
Switzerland	79.0
Italy	74.3
Australia	71.6
Belgium	68.2
Germany	63.5
Spain	60.8
Sweden	57.7
Poland	57.5
Netherlands	56.5
Greece	50.6
Korea. Rep.	46.2
Mexico	45.1
France	38.4

premiums for night work, overtime, or work on a weekly holiday (at least not regulated by the state).

Such indices need to be considered with healthy skepticism, although the data have been collected by the World Bank with a case assumption to ensure comparability across economies over time. Flexibility is assessed in light of an assumption regarding the situation for a typical worker who is 19 years old, has 1 year of work experience, is employed full time, and the business is a supermarket with 60 employees.

In general, job security in the Danish labor market is low (Knudsen and Lind 2018). The research literature refers to this as “numerical flexibility.” Legislation pertaining to job security only exists for salaried employees (“white collar workers”). Since 1937, these workers have benefited for a period of up to 6 months in cases of dismissal after the first month of employment. Otherwise, other workers’ job security is entirely regulated through collective bargaining.

At the end of 2010, an agreement on notice periods was established that sets a protection after 6 months of employment for 14 days. The notice period goes up to 90 days after 9 years of employment. Only workers older than 50 years get a longer notification period of up to 120 days after 12 years of employment.

In spite of the general trend for employers to hire and fire, most workers have a local agreement for relatively long termination notice. Around 64% of employees are covered for a rather long notice of 3–6 months (Andersen et al. 2011; Scheuer 2009).

Work time flexibility is significant, too. This has been the case since the 1990s, and work time flexibility is often negotiated at the local workplace. The typical 37-hour work week can be adjusted over a year.

The costs for employers when they reduce their workforce are rather low. When workers are dismissed and unemployed after 3 years of service (and have right to unemployment benefits), they receive severance pay. The amount is doubled after 6 years of employment and tripled after 8 years of employment. However, severance pay will never exceed 3 months of wages. In the case of an unfair dismissal, the employer must pay compensation during the notice period equal to the wage that should have been paid.

The most flexible agreements on notices are in sectors often hit by cyclical declines, such as in the construction business. In contrast, the industry often does not want to dismiss employees, but instead keep them through reduced working time or other solutions. Thus, the employers do not risk giving new employees expensive training.

Income Security

The Danish Model provides security for employment, rather than job security. As mentioned, there is little employment protection at specific workplaces, but income security eases job changes.

The majorities of workers are member of an unemployment fund (around 70% in 2019) and pay around €67 per month for the insurance. In the event of unemployment, the central government administers the system as later explained in the chapter on active labor market policy (Beyer et al. 2017). After a membership period of

12 months and with employment of 1924 hours within the last 3 years, a member can obtain up to 90% of his or her previous wage with a maximum of around €30,000 per year after 2 years of employment.

Higher paid workers have a lower rate of benefit because of the maximum benefit. An engineer may receive compensation of less than 40% of his or her previous wage, and a male skilled worker may receive only 55% (Andersen et al. 2011). This is not higher than that in the rest of Europe. Nevertheless, when Danish wage earners generally have not been nervous about losing their jobs, it is less about the amount of unemployment benefits, but rather that Denmark has had very low unemployment over a number of years. The ability to get into new employment quickly has encouraged employees' acceptance of the Danish Model.

For noninsured persons, municipalities are administering active programs and can provide cash benefits in some circumstances. A receiver must have been living in Denmark for 7 of the last 8 years and must be willing to accept a job. The duration of the cash benefit is not limited, but the receiver has to accept offers from the municipality to participate in active programs. The amount is calculated based on the individual's family situation with no help in case of equity in a house or if the spouse has a high income. For a single person over 30 years of age, the benefit is around €67 per day.

The Third Leg: Active Labor Market Policy

According to the OECD (2018), Denmark has the largest spending in the world on active labor market policy (Table 2). Although the publisher mentions uncertainty of this statistic, Denmark is certainly ranked among the countries that have the largest expenditure, if not the largest.

The structure of the labor market in the new millennium is at a high level of transition, and there are four key challenges (Andersen et al. 2015). There are changes related to the international division of labor, the introduction of new technologies with their new organizations of work, demographic changes, and the climate agenda. Thus, there is a risk of the future labor market lacking skilled labor while at the same time over-exploiting labor with limited competencies. Structural changes have created new challenges with regard to education and employment policies. High labor mobility and a flexible educational system directly supported by government policies may be crucial for both competitiveness and future prosperity.

The Employment Service is central to this policy. From the first day of unemployment, a worker must be registered at the local job center to obtain the benefit (Nordic Council of Ministers 2010). To receive benefits, the person needs to be actively job seeking. A curriculum vitae must be entered into a nationwide job bank on the Internet operated by the National Labour Market Authority, and active support in job seeking is offered.

The main programs include job training with a wage subsidy, implying that the unemployed person is paid a normal wage from a public or private employer for a limited time period up to 1 year. Less technically specialized groups of unemployed

Table 2 Public expenditure and participant stocks in labor market programmes 2016. Selected OECD countries. Percentage of GDP. (Source: OECD 2018, 293).

	Total	Active programmes
Denmark	3.22	2.07
Sweden	1.73	1.17
Finland	2.84	0.99
Hungary	1.18	0.94
Austria	2.29	0.77
Belgium	2.31	0.73
Netherlands	2.40	0.72
Germany	1.45	0.63
Switzerland	1.33	0.62
OECD	1.31	0.54
Norway	1.06	0.53
Portugal	1.68	0.48
Poland	0.69	0.45
Canada	0.90	0.25
Australia	0.89	0.24
Japan	0.30	0.14
United States	0.27	0.11
Mexico	0.01	0.01

people receive special job training, which typically include special projects in the public sector. A wide range of educational and labor market training for up to 1 year is offered. Special groups, such as immigrants or older workers, are targeted through special programs. All unemployed individuals are offered mandatory counselling, including assistance with job search activities.

The active programs benefit about 70,000 people per year in a workforce of about 3 million. In addition, around 63,000 participants have the so-called flexi-jobs (2015), which are jobs with a permanent wage subsidy for persons with persistently reduced work capacity.

In a business cycle downturn, the unemployment insurance system will stabilize domestic demand (Madsen 2005; Jørgensen and Klindt 2018). In business cycle upturns, employers hire new employees. In a normal liberal economy, companies can hire and fire at low cost and have no incentives to improve wage earners' skills. This behavior risks inefficiencies, skills shortages, and inflation. The job of improving skills has been taken over by the state through various active labor market initiatives. As a result, a bottleneck in the labor market is prevented.

Three Meanings of the Word *Flexicurity*

The word *flexicurity* is a rather new and commonly used concept. The word has at least three different meanings.

The word was coined in the Netherlands where a system had developed based on corporatist principles (Visser and Hemerijck 1997). Flexicurity was first used by the Dutch sociologist Hans Adriaansen in the mid-1990s in speeches and interviews to address a phenomenon in which political parties discuss policy issues relating to reforms of the labor market (Oorschot 2004; Wilthagen 1998). The word was simultaneously used at the political level by the Danish social democratic Prime Minister Poul Nyrup Rasmussen in the 1990s (Flaschel and Greiner 2012).

One common definition of flexicurity is as follows:

> a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labor markets, the work organization, and labor relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labor market on the other hand. (Wilthagen and Tros 2004, 4)

Thus, flexicurity is defined here as a coordinated policy strategy.

The OECD deemed the Danish Model to be a flexicurity system. After many years with the critique of high Danish unemployment compensation, the OECD changed its opinion. The low unemployment rate in Denmark compared to most other European countries was remarkable. "Overall, the Danish model of 'flexicurity' has proved to be rather effective in guaranteeing sufficient dynamism in the labor market," and the report praised the Danish flexicurity system as a "result of a long series of reforms started in 1994" (OECD 2004, 98).

The definition does not fit with the Danish Model because the Danish labor market developed over the years without any overarching strategy. It only describes the situation relating to the labor market. For this, the following definition is more appropriate:

> Flexibility is understood here in economic terms as the degree to which the labor market is capable of creating opportunities for employers and employees to meet their demands for qualified workers and jobs. (Muffels and Luijkx 2008, 223)

For many researchers, flexicurity has become a useful analytical tool in the discussion of labor market issues. As such, flexicurity can also be defined as follows:

> An analytical frame that can be used to analyze developments in flexibility and security and compare national labor market systems. (Madsen 2007, 60)

Flexicurity in Different Countries

The labor market models the world differently in numerous aspects. As shown in Fig. 2, European nations can be placed on a graph showing the location of welfare regimes in the theoretical relationship between flexibility and income/employment security. Muffels and Luijkx (2008) conclude: "Europe demonstrates 'unity in diversity,' showing that there is not one world of welfare, but many." To illustrate

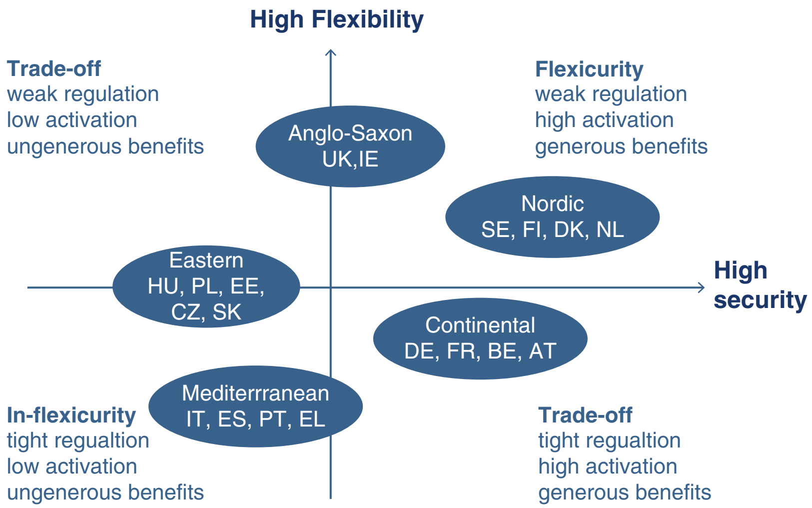

Fig. 2 Theoretical classification of countries and policy regimes in the flexicurity context. European countries. (From Nardo and Rossetti 2013, 21; modified version from Muffels and Luijkx 2008, 225)

some of the dimensions, they have mapped four different archetypes. Later, Nardo and Rossetti (2013, 239) expanded the figure to include the extra regime type from Eastern Europe. According to this graph, the Nordic countries, Denmark, Sweden, and Finland, together with the Netherlands, are characterized by high flexibility and security, but with some differences. Norway and Sweden differ in terms of their strict employment protection legislation, while Finland and Norway have less generous unemployment benefits. In fact, Finland spends the least on active labor market programs.

Is the placement of the Netherlands among the Nordic flexicurity countries correct? Compared to the Danish Model, the Dutch flexicurity model has a narrower focus on normalizing atypical work (Bekker and Mailand 2018). It is a different situation for Denmark versus the Netherlands. While the temporary employees as a percentage of the total employees has experienced a slight decline between 2007 and 2014 in Denmark to 8.6%, the percentage of the total employees in the Netherlands has increased to 21.1%.

The Dutch labor law did not consider temporary agency workers or people with a contract for a definite period. This was the background for reforms where persons with a permanent contract should be more flexible, and those already flexible should have more security (Pennings 2018).

A supplemental model to describe the combination of flexibility and security in different flexicurity regimes suggests "distinguishing between internal and external dimensions of flexibility and security, and arriv[ing] at two ideal models of either internal or external flexicurity" (Bredgaard et al. 2008). According to this model, the Danish Model is close to the external archetype, while the Japanese system with an internal flexibility and security is close to the other type. In the Japanese system, dismissals are the last solution after relocation, wage reduction, and reduction in working hours have been implemented. The German system is similar to the internal model, and Sweden is similar to the external model.

Flexicurity Became EU Policy

The concept of flexicurity slowly took hold in the EU. In 1997, the Commission's Green Paper, "Partnership for a new Organization of Work" stated that "the key issue for employees, management,. . .social partners, and policy-makers alike is to strike the right balance between flexibility and security. . .It is the achievement of this balance between flexibility and security [that] is at the heart of the partnership for a new organization of work" (European Commission 1997, 12).

Eight years later, the concept became official policy. The Council of Ministers approved a suggestion in the "Integrated guidelines for growth and jobs (2005–2008)" in which point 20 under "Employment guidelines" was "Promote flexibility combined with employment security and reduce labour market segmentation" (Press release 12 April 2005, MEMO/05/123). This principle came into the revised version of the Lisbon Agenda, and the principles were reaffirmed within the EU 2020 strategy (Nardo and Rossetti 2013; Tangian 2011). The plan was described as being modern, likely because of its emphasis on a broad array of social protections and helps to combine work with private life and family responsibilities.

In the same way, it is a political target for EU to create more and better jobs, modernize labor markets, and promote good work. Even flexicurity is a principle of employment policy, and the EU looks at flexicurity as having a scope far beyond the strict confines of employment policy and the labor market, arguing in a commission report that "[i]f we wish to encourage flexicure transitions in the broadest sense of the word, we will need to investigate other economic and social effects" (Rodriguez et al. 2010, 21).

This kind of policy is generally only implemented as a recommendation by the EU. The institution has no power to force a policy at a national level, but the EU follows up with the member states and suggests some ways to implement the concept. A one-size-fits-all approach is not possible for all countries. One recommendation from the EU has been a minimum wage system. In 2019, six of the 28 member states did not have a minimum wage regulated through national legislation, which included Denmark.

The EU policy with regard to the Danish Model has been criticized as well. It is called "a Political Celebrity" (Jørgensen and Madsen 2007, 8) and described as follows:

> There is something in it for everybody. We will have a world inhabited of wage earners, who feel economically secure, and of satisfied employers with a high degree of flexibility in hiring, firing, and allocating their workforce. For society as a whole, growth and prosperity will be the expected outcome of a more dynamic and flexible labour market. The politician

who is able to put forward and implement such a win-win strategy should be up for a guaranteed re-election.

The European rules address conflicting considerations. For instance, in a conflict, do the three European courts necessarily take the same approach? In 2015, a report from the Nordic Council of Ministers provided an analysis of the complex interaction between Nordic and European labor laws. The EU had, through the consequence of a steadily more complicated legislation system, regulated wages in the financial sector and influenced wage conditions (e.g., for migrating workers, posted workers, part-time workers, and fixed-term workers) (Kristensen 2015).

In a comprehensive book published the same year, Kristensen deepens the discussion of the European challenge to the Danish Model. He finds it paradoxical that the Danish state plays a very active role in adopting, implementing, and applying labor law directives in contradiction to its historically less prominent role (Kristensen 2015a).

For the multidimensional flexicurity concept, the Flexicurity Matrix developed by Wilthagen and Tros (2004) (Fig. 3) has been widely used in EU publications and research. Policy is monitored through indicators collected mainly by the OECD and Eurostat in order to understand the ongoing transition of the area.

According to this monitoring, there are considered to be four types of flexibility. The *external numerical flexibility* refers to the management's possibility to vary the amount of labor even in response to short-term changes in demand (Pacelli et al. 2008). The *internal numerical flexibility* relates to the possibility of changing the number of workers by varying the patterns of working hours. *Functional flexibility* concerns the possibility of quickly redeploying employees to other tasks and

Flexibility/Security	Job security	Employment security	Income security	Combination security
External numerical flexibility	- Types of employment contracts - Employment protection legislation (EPL) - Early retirement	- Employment services / active labour market policies (ALMP) - Training / lifelong learning	- Unemployment compensation - Other social benefits - Minimum wages	- Protection against dismissal during various leave schemes
Internal numerical flexibility	- Shortened work weeks / part-time working arrangements	- EPL - Training / lifelong learning	- Part-time supplementary benefit - Study grants - Sickness benefit	- Different types of leave schemes - Part-time pension
Functional flexibility	- Job enrichment - Training - Labour leasing - Subcontracting - Outsourcing	- Training / lifelong learning - Job rotation - Teamwork - Multiskilling	- Performance-related pay systems	- Voluntary working time arrangements
Labour cost/wage flexibility	- Local adjustments in labour costs - Scaling or reductions in social security payments	- Changes in social security payments - Employment subsidies - In-work benefits	- Collective wage agreements - Adjusted benefit for shortened working week	- Voluntary working time arrangements

Fig. 3 Flexicurity matrix. Four types of flexibility and four different forms of security are combined in a matrix in order to illustrate the broad range of policy tools available to policy-makers. (Wilthagen and Tros 2004; source: Pacelli et al. 2008, 7)

activities, while *financial flexibility* enables employers to alter standardized pay structures, including reward systems

Four forms of security can be classified. *Job security* concerns the expectation of high job tenure in relation to a specific job, while *employment security* takes the degree of certainty of a worker to remain in work into account. *Income security* relates to the protection of income in case of such occurrences as unemployment or maternity, and *combination security* is associated with the possibility of combining paid work with an employee's private life and social responsibilities.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits (Madsen 2007). The dynamic and well-functioning labor market is indirectly supported by a well-developed childcare system, a well-functioning and publicly financed health-care system, and so on. The employment of women is 73% in 2018 compared to the OECD average of 61% (OECD data). Transferring elements of labor market policy to a low-tax country has no guarantee of success. As emphasized in a central article about the Danish Model (Madsen 2005, 35), "[t]he model is thus a prime example of the specific Danish version of the negotiated economy. Therefore, it should be taken as a source of inspiration for new ideas about alternative configurations of flexible labour markets and economic security for the individual – not as a simple scheme, which is ready for immediate export*."*

The economic crisis of 2008 influenced the political process associated with the implementation of the European flexicurity policy, and a "farewell to flexicurity" was announced with a reduction in the security component of flexicurity (Hastings and Heyes 2016). Some weakening happened from the initially strong focus on the transition from job security to employment security, in addition to the divisions between insiders and outsiders in the labor market (Mailand 2010). Recent research has resulted in a revitalization of the policy (Bekker 2018), and although the EU-level concept changes every year, it still encompasses a growing number of flexicurity issues (Bekker and Mailand 2018).

Is the Danish Model Under Liquidation?

One researcher found it paradoxical that the Danish Model was recognized in the 1990s and became conceptualized and discursivated as a flexicurity policy when many of the individual building blocks of the Danish Model had deteriorated over the previous years (Jensen 2017a). Jensen explains it by the "employment miracle" from 1993 to 2001 in which unemployment declined from more than 12% to about 5% in parallel with low inflation, low levels of inequality, and a well-developed social dialogue. Most people looked at the flexicurity system, and the system became famous as "an export article." In reality he mentions other factors contributed to the decline of unemployment, for example, the substantial income from the North Sea oil fields.

The Danish system is affected by both internal and external forces. Some researchers argue that the system is under pressure (Lind and Knudsen 2018).

Internally, collective bargaining is more decentralized than ever. Therefore, a solidarity principle cannot be proposed using the same rules and standards nationwide, and the wage levels are more dependent on the market and business cycle. Decentralization started in the early 1980s and was radically changed in the early 1990s to allow more bargaining at the individual's workplace. Wages negotiated at the national level have since become minimum standards, and they are supplemented by agreements from local negotiations.

In the past two decades, decentralization has been introduced to deliver good employment performance, better productivity outcomes, and higher wages for the covered workers. Such local agreements could erode general agreements without coordination within and across sectors. This is not the case, at least for now. A recent study showed that in comparison to the decentralization of collective bargaining in Germany, the Netherlands, and Denmark, the Danish system leaves scope for local bargaining even when the minimum wage levels are generally observed and bargaining coverage has not suffered (Ibsen and Keune 2018; OECD 2018).

A central issue is how employer and employee interests are balanced within the system. As Knudsen and Lind (2018) emphasize, how are rights, privileges, and financial gains distributed between the parties, and how does the balance change over time? Many variables have influenced the distribution of power between employers and workers under changing business cycles.

Trade unions have lost power because the membership rate decreases, which is caused by several factors. One is governmental initiatives through a weakening of the unemployment insurance system. Trade unions have lost their monopoly on insurance funds, and private actors subsequently entered the market. This erodes membership share in trade unions (Lind 2009).

There have always been job sectors without a high level of union organization, such as hotels, restaurants, and shops. Central areas still have a high percentage of organization in both unions and organizations for employers (Larsen and Ilsøe 2016). In 2012, around 53% of employers were members of an employers' association (almost all the large companies). However, 84% of the labor market should be covered by a contract with 74% for the private market alone.

Another variable is the decline of benefits related to unemployment compensation. Since the 1980s, the system has been weakened several times. Coverage is not as high as it once was. Moreover, the time permitted for financial support has been shortened. When union-administered funds are reduced, the unions themselves are weakened. The compensation rate has, as mentioned, dropped from 80% in the 1970s to around 50% in the 2010s.

Active labor market policy has changed in another way in relation to the unemployed. Since a reform in 1993, the focus has shifted from the demand side to supply side such that unemployment benefits have been reduced to increase the interest for the unemployed to seek jobs.

The increasing internationalization placed pressure on the system for the internationalization of firms, resulting in foreign firms coming to Denmark with another culture and background for handling agreements. At the same time, many foreign workers have gone to Denmark from other EU countries and from abroad. For instance, IBM has never made agreements with unions. Many of these firms do not have the same attitude toward the traditions related to the labor market of native Danish workers (Larsen and Ilsøe 2016).

The Danish system is under pressure as a result of interference by foreign policy-makers. Since the EU system declared the "Community Charter of the Fundamental Social Rights of Workers," a platform for political initiatives was established. An EU policy for helping countries with a low organization share of the labor is necessary because of the weak labor unions in many countries. The strong unions in Denmark are indirectly affected by this interference (Kristiansen 2015a; Sørensen 2006).

Concurrently, there is pressure from ILO, which has established conventions for freedom related to organization and agreements, and the European Convention on Human Rights to demand judicial decisions by public courts.

The development could make the flexicurity system dramatically less relevant due to changes in class (Jensen 2017a). Because the unemployment benefit is a flat-rate system primarily for blue-collar workers, and with a decline in the number of workers in this group, flexicurity is far from an all-encompassing model. In addition, the system does not secure low-educated people suffering from longstanding illness (Heggebø 2016).

Since 1980s, there has been a change in the dominant political ideology relating to welfare and market ideology in Denmark (Jørgensen and Klindt 2018; Knudsen and Lind 2018; Larsen and Ilsøe 2016; Lind and Knudsen 2018). The interests of employers have been favored, while the interests of labor have been neglected. The last issue is "social dumping," which is thanks to a strengthening of market forces and EU regulations that favor the free movement of labor. Although Lind and Knudsen (2018, 598) conclude:

> [i]n spite of the changes in the favor of capital, the Danish development has also been one of the continuities. The national institutions regulating [the] labor market and working life are still strong and encompassing. The class compromise founded in 1899, although reformed and changed in many respects over the years, is still in force. Strong corporatist features are still present, although increasingly encroached by market forces. Danish industrial relations are still distinctly different from liberalist as well as legalistic models.

While impairment in the active labor market polity related to reducing the corporatist elements occurred in the 2000s, the parts on the labor market themselves have taken over. For instance, many social chapters in the collective agreements were made and, in a way, compensated for the loss of security in the flexicurity system and re-established the balance between flexibility and security (Jørgensen and Klindt 2018). These kinds of solutions could shift the labor market toward more inequalities between labor market insiders and outsiders as is seen in other countries, most notably in Germany.

The conclusion from most researchers is "that institutional complementarities between flexibility and security are fragile and liable to disintegrate if the institutions providing flexicurity are not maintained and supported" (Bredgaard and Madsen 2018, 375).

After the political changes of the last decade of the Danish Model, researchers have asked whether the balance between flexibility and security has changed significantly toward more flexibility and less security (Knudsen and Lind 2018). Yet in comparison with other European countries, the labor market policy in Denmark probably still deserves the term flexicurity. The Danish system is still alive.

Summary

The Danish labor market system, which is often referred to as the Danish Model, is an exemplary model of *flexicurity* (a term that combines the words security and flexibility). The OECD highlighted the Danish Model in 2004, and the European Commission officially incorporated it into the European Employment Strategy in 2007.

The Danish labor market system has more than 100 years of history, and it is one of the preconditions for the rich Danish welfare state, which has a generally high income based on rather small but adaptable firms. The basis for this system is the collective agreements established through negotiation with a "balance of compromise" that is accepted by both sides: employers and employees. The state normally does not interfere in labor negotiations and has established some institutions to help both parties in case of disagreements and for nationwide negotiations. It is only in cases where a conflict has nationwide interest that the state can interfere.

The Danish labor market system has two important characteristics. The first is benefit to employers through limited employment protection. Employers are allowed to easily change their business in shifting economic conditions when it is easy to dismiss employees. The employees accept this behavior because of the second factor: the employees receive generous economic support when unemployed. Employees do not lose much money during the time they are seeking their next job. Each year, around 20% of the workforce is affected by unemployment, but mobility in the labor market is high and is measured by job creation, job loss, and average tenure.

A country's capacity to maintain high employment depends on its ability to restructure and adapt production. This has become especially important in recent decades because Denmark, like other countries, has been influenced by a new international division of labor, the continuous introduction of new technology to this demographic (including a new organization of work), and climate change. Since the 1980s, a new "leg" has been added to the two dimensions of flexicurity. One leg is an active labor market policy, which aims to ensure a well-functioning labor market through initiatives like education, training, etc. Expenditures on the active labor market policy have been substantial. In 2016, the cost of the active labor market policy was more than 2% of gross domestic product in top of all countries.

The well-functioning Danish Model was deemed to be a flexicurity system due to its flexibility for the employers and security for the employees. It has many similarities to the systems in the other Nordic countries, including the Dutch model. The

Nordic Model is different from the flexicurity systems of Mediterranean countries, with limited benefits in the Anglo-Saxon countries and tight regulation in the mainland countries.

The word *flexicurity* was first used in the Netherlands to refer to political initiatives in the mid-1990s. Since then, the term not only became a useful analytical tool in the discussion of labor market issues or an economic term to describe labor market capabilities that create opportunities for employers and employees, but it also came to signify a coordinated political strategy.

Since flexicurity inspired by the Danish Model became official EU policy, it has become a political initiative promoted in different plans and closely monitored.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits, but the Danish system is itself under pressure from both internal and external forces. Internally, collective bargaining is more decentralized than ever. Therefore, a solidarity principle cannot be proposed using the same rules and standards nationwide. The increasing internationalization has placed pressure on the system to internationalize firms, resulting in foreign firms coming to Denmark and bringing with them another culture and method for handling agreements. Foreign workers are coming to Denmark with other traditions as well.

As results of this increasing pressure, initiatives from international organizations have been instituted, the foremost being the EU. Regardless, the Danish labor market and governmental policy still have the necessary balance between employers' and employees' interests. The Danish Model is still alive.

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52 Pre-colonial Africa: Diversity in Organization and Management of Economy and Society

Grietjie Verhoef

Contents

Abstract

Management was integral to state organization, traditional hierarchical stratification of authority, and ownership of resources in Africa. The history of dynamic state formation, challenge of authority and conquest in Africa. Limited separation existed between state and commercial activity. Islam expanded and conquered indigenous empires, while some indigenous peoples converted to Islam. Traditional management was integral to state management. In some geographical locations, the monarch allowed private enterprise and decentralized management of commerce. In West Africa, more decentralized commercial management occurred, while in East Africa Muslim traders controlled trade routes. This chapter shows how state formation and business management developed in parallel trajectories before colonial intervention. Limited organizational structures emerged as distinctly managerial in origin. This chapter illustrates diversity of management culture and sophistication before the late nineteenth century.

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Sacred king · Hierarchy · Middlemen · Commerce · Kinship · Owner-managed · Centralized state · Trade routes · Chief · Trader

The vast land comprising Africa constitutes the location of dynamic contestation, conquest, and expansion of power. Africa comprises around 30 million square kilometers, the second largest continent. Africa is therefore the size of China, India, the USA, and most of the European countries combined. It is home to a rich diversity of indigenous cultures and linguistic entities engaged in sustaining the livelihood of sprawling communities. The people of Africa speak more than 1000 different ethnic languages, belonging to around 100 language groups. The history of Africa is testimony to consistent flux or movement of peoples in ever-changing social formations. This dynamic demographic configuration displayed a constant movement as populations expanded and sought to secure their existence. History begins with geography. Confronted by typographical and climatic extremes, societies settled where they could sustain a livelihood. With high mountains, long rivers, a series of lakes in the Great Rift Valley (approximately 6000 km, stretching from Lebanon's Beqaa Valley to Southeastern Africa, around modern Tanzania and Mozambique – July 1998: 5), desert and fertile soil, and rich vegetation in equatorial jungles and sweeping grasslands/savannahs human survival depended on management thereof. The population is unevenly distributed. The fertile soils attracted the highest density of people. Concentrations of settlements developed on the North African coastline, in West Africa, along the Nile River valley, and finally southward to the Witwatersrand highlands in the south. In this vast geography, societies organized themselves for sustainability. The history of Africa reflects the complex discontinuities and change as societies responded to climatic, social, and political developments similar to the experiences of the people of Europe, Asia, Latin America, North America, and Australasia. As civilizations expanded across the world, contestation followed and led to new social formations, new sociopolitical configurations, and ultimately socioeconomic organization. How societies survived or failed to survive and resulted in new social formations paved the way for the modern global configuration of people, states, and economy.

In this chapter the underlying principles of social and economic management in Africa emerge as a function of social formation. From the Latin *civilis*, which means "political" or "civic," the word civilization refers to the emergence of an entity of humans, a civic entity, in a formation called a *state.* The *state* takes on a variety of forms, but remains the core of societies considered to be "civilized." As civilization spreads across Africa, the unfolding of state formation becomes the dynamic of emerging sovereign public power. The power of the sovereign supersedes the social bindings of families and ethnic tribe's local communities. The sovereign power organizes the subject to serve the interests of the state as a collective, but the interests of the rulers are not necessarily representative of the entire population. The early history of the peoples of Africa exhibits a tendency toward centralized state authority, with a small ruling class or bureaucratic officialdom. Institutional diversification was limited, since state power did not distinguish different dimensions of social autonomy. In the early state, rulers claimed some form of religious or spiritual authority. In the history of Africa religion or pagan ancestry devotion was a significant dimension of all power. The underlying principles of management, namely, planning, organizing, leading, and controlling, rise vividly in the sociopolitical organization of societies since earliest times, albeit in a social configuration prior to the emergence of the institutions fundamental to western management theory.

The meaning of the concept "management," as Peter Drucker phrased it, justifies consideration. Drucker defines management as "a discipline – that is an organized body of knowledge and as such applicable everywhere – it is also a "culture." It is not value-free science. Management is a social function and embedded in a culture – a society – a tradition of values, customs, and beliefs, and governmental and political systems. Management is – and should be – culture-conditioned; but, in turn, management and managers shape culture and society" (Drucker 1974). The manifestation of pre-colonial African management practices displays the traditional culture embeddedness of emerging management practices. The distinct culture of traditional African societies in their vast diversity, constitute the basis of social capital formation and community networks underlying business activities. As the dynamic dispersion of peoples progressed since more than two million years ago, (Fage and Tordoff 2002; July 1998; Oliver 1977), social organization delivered the ecosystem of the development of African management. The ecosystem of management in Africa is the political history of Africa. The history of the management of all social activities, political, social, and economic, unfolds with the slow adoption of the market and market-reinforcing institutions in protracted fashion (George et al. 2016). The historical succession of state formation and social organization of states offer an insight into the organization of economic and commercial activity. In this context practices evolved for the management of society, political power, and economic activities.

Early Egyptian Civilization in North Africa

From the earliest civilizations of Mesopotamia around 3500 B.C., the Sumerian city-states emerged. The civilization spread to the northern part of Africa. From 3200 B.C., the Egyptian civilization developed around the Nile River. The powerful Egyptian civilization spread southward along the Nile Valley. The ruler presented himself as a god-king, or *pharaoh*, who unified the peoples along the Nile into a single state in 3100 B.C. The settlement in the north, known as Lower Egypt, and the settlement in the south, known as Upper Egypt, henceforth functioned as a centralized state for 2000 years. Egypt had periods of internal instability and international challenge to its power. The power of the unified Egyptian state crumbled toward the tenth century B.C. This allowed the Kush kingdom in the south to return itself to independence from Egyptian domination, only to be reconquered later in the seventh century B.C., and by 591 the Kushite kings were again defeated, allowing Egypt to reoccupy the Upper and Lower parts of the empire. These developments underlined the mutual dependence of the divine king, the military forces, the scribes and the elites in sustaining the state. As Egypt reestablished its political power over the southern Kush kingdom, bidirectional cultural assimilation characterized coexistence, but not shared power. State power returned to the Egyptian king (Wickins 1981: 2–6; Van Aswegen 1980: 26–30; July 1998: 27–37). The culturally rich and powerful empire of Axum developed to the southeast of Egypt on the Ethiopian highlands. Axum was a wealthy state, but was finally succumbed by Islamic Arab conquest. Between 814 B.C. and the first century after Christ, North Africa and Egypt fell to the colonization by the Phoenicians, the Greek, and Roman civilizations (Andrea and Overfield 2001a: 16–18; Wickins 1981: 7–9; Van Aswegen 1980: 13–61). Despite these latter developments, the “sacred king” phenomenon spread to African societies neighboring the Egyptian civilization. As far south as current-day Uganda, the southwestern Ethiopian highlands and the Great Zimbabwe-Monomotapa similar powers of deity in state authority existed by the twelfth century. The divine kingship phenomenon later came to be considered “more or less (a) natural evolution from the development of agriculture.” Since societies’ sustainability and prosperity were inextricably linked to “the spirits of the water and the land,” the king as descendant of the ancestors became the mediator with the other world and thereby increasingly the personification of supernatural powers of the ancestors (Fage and Tordoff 2002: 37–41; Andrea and Overfield 2001a: 23).

The Egyptian pharaoh ruled the state with unlimited powers, but priests, officials, and nobles assisted in executing duties delegated to them. As the sole owner of all the land, all economic activities and exchange occurred at his will and to his benefit. Africa became integrated into European economic and trade activities across the Mediterranean through the colonization of the Phoenicians, Greeks, and Romans during the century before the birth of Christ. These conquests did not penetrate deep into Africa, but affected primarily the northern seaboard lands. Trade routes with Europe and Asia developed as colonies of the Roman Empire until the third century B.C. By the first century before Christ, the dominant civilizations of North Africa were loosely linked through a series of trade networks and imperialist expansions. Under direct control of the Egyptian pharaoh and European civilizations, ships traded across the Mediterranean Sea and in the southeast region across the Red Sea with Arab settlements.

Before the unification of the Egyptian state during the fourth millennium before Christ, well before 3000 B.C., peasants cultivated the fertile lands and exchanged their produce. This stimulated the successful expansion of agricultural production in the Egyptian kingdom. People had domesticated animals, cattle, sheep, or goats and cultivated flax for textile production and grain for food. The fertile Nile lands delivered considerable wealth. Surpluses in production, supplemented with craft production, supplied the comparative advantage leading to specialization and trade with civilizations outside Egypt. Specialized craftsmen and traders created wealth, which gave rise to a wealthy class and growing inequality in society. After unification the organization of commercial exchange was a direct function of divine state power. Individual merchants were the entrepreneurial agents seeking markets, supplying goods, and engaging in commercial agreement, always sanctioned by the authoritarian ruler. Trading fleets crossed the oceans under the authority of the monarch. The Egyptian civilization was prosperous, but grew more prosperous under state-induced specialization in agricultural production. Specialization in grain and textile production, although not exclusively, led to the emergence of a class structure of increasing complexity. Capable artisans and craftsmen produced goods for exchange. The latter and agricultural surpluses thus oiled the wheels of trade and delivered the tax adding to the wealth of the state. The king employed priests, an administrative class of bureaucrats, and a professional army to secure his position and future prosperity.

Following colonization by societies from elsewhere in the Mediterranean, the first trade was conducted across the Sahara desert, operating from trading posts on the coast. These trading routes only developed into established trading routes after the Islamic invasions. The most frequent exchange was to the northeast with Arab settlements and across the Indian Ocean with people of Asia. In the Egyptian civilization, merchants traveled up and down the Nile to connect suppliers and “him who wants,” while tax was collected in the form of gold. The “scribe,” who recorded the transactions, was not physically a strong person in society, but a person occupying “a fine profession” (Andrea and Overfield 2001a: 23–24; July 1998: 18–22). Officials in the state bureaucracy, scribes, and tax collectors thus assumed an important function in administering commercial exchange, as well as managing subjects on behalf of the divine ruler. The scribes played a vital role in developing the art of writing, pictographic, and later cursive script. The Egyptian civilization was therefore able to accumulate knowledge systematically, develop a sun calendar, and predict cyclical climatic patterns. Calculating time improved agricultural production and wealth creating. The nexus between land, agriculture, and the divine ruler witnessed in the Egyptian civilization was not unique in Africa. In other African kingdoms, this nexus also constituted the essence of state authority and centralized power of the king. The significance of this nexus became accentuated through the turbulent history of Africa, as protracted introduction of modernizing technology from western civilizations in most parts of Africa perpetuated the dependence on agriculture as organized in centralized state formations.

The sophisticated Egyptian civilization developed in North Africa at the same time as civilizations developed in the Americas and China. Limited contact, if any, can be traced between the Americas and Africa during the earliest centuries of human settlement in Africa. Traces of Chinese coins and porcelain were found in East Africa pointing to exchanges between the peoples of East Africa and China during the fifth century B.C. Trading activities on the East African coast established connections with the Greek and later Roman civilization, as well as the Indian and Chinese civilizations. The commercial contacts facilitated exchange. These did not change sociopolitical organization but cultural enrichment and the ability to accumulate wealth. The powerful divine king encouraged commercial exchange, under his auspices, to grow the revenue of the state. Economic specialization based on comparative advantages (as explained by David Ricardo) stimulated trade, growing wealth accumulation, and social stratification. Whether in a centralized unified state or in smaller seats of political power, the king was the sole authority. He determined social organization; he planned, led the state, and controlled all functions of the state.

No independent business management function transpired, but the outcome of planning, organization, leadership, and control is witnessed in the scientific, architectural, and engineering achievements of the Egyptian civilization. Constructing the pyramids, aqueducts, and roads and raising agricultural production by calculating a calendar to predict the cycles of flooding of the Nile River are all achievements testifying to state capacity to plan, manage, and execute state projects. In the absence of sources explaining systematically the process of planning, managing, and execution (Bartol and Martin 1991), the student of management is left to interpret the sociopolitical trajectory of the civilizations or societies as evidence of the sustainability of management in early African history. Architectural wonders, such as the pyramids, display advanced intellectual capabilities, applied managerial skills, and the ability to mobilize labor to execute the plans. From the nature of state management, as was vividly illustrated in the development of the Egyptian civilization, underlying dimensions of management in Africa may transpire.

Indigenous Bantu-Speaking Peoples and Islam

The hunter-gatherers in indigenous Africa were primarily located in the southern parts of Africa. These were the Khoi-Khoin and San peoples. Indigenous black people were agriculturalists and pastoralists. They settled in the lands to the southwest of the Sahara desert, on the Southeastern highlands of East Africa, and in Central and Southern Africa. The peoples of the southwestern region of Africa were called *Bilhad-al*-Sudan – an Arabic reference meaning "the land of the black people." Early climatic transformation of the once water-rich Sahara lands caused massive catastrophe to the inhabitants, but came to an end around 2000 B.C. The subsequent desert conditions mandated a survival response. The Bantu-speaking peoples gradually migrated to lands in the west and central parts of Africa where better rainfall and rivers offered enhanced survival opportunities. This migration resulted in the movement of Bantu-speakers across the Cameroon Gabon area to East Africa around the Lake Victoria by 300 B.C. Small groups formed small states in what is today known as Hausaland and Yorubaland in modern-day Nigeria, as well as in the forest belt of the Volta River. Long-distance trade developed in gold and kola nuts. In West Africa the kingdom of Ghana was founded around 400 but was later succeeded by the kingdom of Mali around the eleventh century and the Kanem-Bornu Empire in the region of Lake Chad, after the thirteenth century. The next massive Bantu migration occurred from around 400 from the Shaba in the central part of Africa, to the south and southeast regions as far south as the Kei River in current South Africa. This massive migration drove the dispersion of Bantu culture, iron-manufacturing skills and agricultural knowledge across sub-Saharan Africa. Ultimately the Bantu migration continued for almost a thousand years and ended with the settlement of the Bantu-speaking peoples through Central, East, and

Southern Africa (Wickins 1981; Fage and Tordoff 2002; Andrea and Overfield 2001a).

The significance of the Bantu migration is that their sociopolitical organization was transferred to the largest geographies of the continent. Economic activities were performed through a social organization around a central authority, a king, as the core of social organization and management. It is significant that the sociopolitical organization and economic functions displayed stability. In the ancient kingdom of Ghana, the king exercised control over smaller kingdoms, permitted smaller tribes to control trade routes across the Sahara, but extracted gold from the different smaller sociopolitical entities under its control. The king succeeded his predecessor as the son of his predecessor's sister, thus not the son on the predecessor became king, but the son of the sister of the former king, succeeded as the next king. He sometimes presented himself as a woman, wearing necklaces, bracelets, and turban headgear. He ruled as an autocrat. This king, as in the Egyptian empire, was served with divine honors as the center of the indigenous cult. The king used priests and an army (of around 200,000 soldiers on command) to secure his position. State power centralized in the state, personified in the king, who simultaneously controlled economic activities: permitting cultivation, pastoralism, trade, and exchange. Control of trans-Saharan merchant routs meant commercial control, strengthening the power of the king. It was only late during the twelfth century that an environmental crisis rendered the kingdom of Ghana to disintegrate, paving the way for the rise of other empires in the Sudan. The kingdom of Ghana was originally a non-Muslim kingdom, but the king once accepted the Islamic faith when a Muslim preacher prayed, and it suddenly started to rain at a time when the kingdom suffered severe drought. The entire kingdom was not converted to Islam, but subsequent kings accepted the title *al-usulmani*, depicting a title of a leader in the Muslim faith. Muslims were allowed to settle in the kingdom alongside non-Muslims (Fage and Tordoff 2002: 59, 67; Andrea and Overfield 2001a: 382–386).

To the east of Ghana was the Kanem Empire, known for the worship of their king, who they believed to be the source of "life and death, sickness and health." Kanem later formed part of the Bornu-Kanem Empire. With the demise of the kingdom of Ghana and Muslim invasions, the thirteenth century witnessed the rise of the kingdom of Mali to include all of the territories of the former kingdom of Ghana. Mali became a powerful kingdom, with wealthy caravans crossing the Sahara up to Cairo, but was succeeded by the Songhai Empire during the fifteenth century. This empire was closely aligned to Islam, but also disintegrated to pave the way for the nomadic Negroid hunting and fishing societies of the Kanem-Bornu and Hausa states.

Successive raids by nomadic pastoralist groups could be withstood through the military power of the state/king. The incoming pastoralist groups swelled the size of the kingdom and contributed to the revenue stream of the kingdom. The political institutions of the state were flexible enough to retain internal stability in the wake of adjusting and incorporating adjoining populations. African kingdoms also went through different stages of internal stability and turmoil. A dispersion of power between contesting chiefs could undermine internal stability. Few indigenous black kingdoms remained stable, centralized, and strong for very long. Kingdoms rose to power, but were challenged, either by migrating pastoralists or by internal strife. Strong centralized government was the exception in sub-Saharan Africa (Wickins 1981: 228), and July (1998) called them "ephemeral political entities without great intrinsic unity" (July 1998: 63). It was the king who succeeded with varying degrees of success, to stabilize his position through a personal allegiance of priests, soldiers, and other subjects. The personal agency of the ruler was decisive. Generally African kingdoms did not constitute a strong centralized state, but rather a sociopolitical organization aligned to the king. The absence of a strong centralized state administration, an effective executive function, and fragmented public functions undermined the emergence of strong states. These limitations impacted on longevity, stability, and sustainability.

The Muslim Arab invasion of Africa from the seventh century established Arab domination and Islam as religious-political power in Africa exposing the vulnerability of the indigenous African kingdoms. The Muslim invasions revealed the existence of the ancient indigenous kingdoms of the Sudan, as educated Arab persons documented their experiences and findings in the unknown parts of the continent they penetrated. A dynamic period of complex challenges to power, realignment of authority, and new and intensified networks of exchange put Africa on a trajectory of rapid transformation. The Islamic invasions perhaps had the most profound long-term impact on the history of Africa. More than European colonial control that lasted only for around 60–70 years (1885 to between 1950 and 1960), Islamic Arab invasions transformed Africa permanently. The Islamic conquests since the eighth century resulted in longer and more persistent conquest of indigenous African empires and the development of Islamic states as people of Africa were converted to Islam. Conversion to the Muslim faith seemed popular. Relatively small Arab armies conquered vast parts of Africa. The conquered were subjected to pay poll tax, since they were non-Muslims. Accepting the Muslim faith ruled out the payment of the tax and therefore Islam spread relatively smoothly across sub-Saharan Africa.

A major new chapter in the history of Africa commenced with the Arab Muslim invasions of the seventh century. Systematically Muslim armies invaded and conquered Africa. Starting in the mid-seventh century with the conquest of Egypt, Muslim armies advanced along the Mediterranean coastline to Gibraltar and Cordoba by 711, thereby controlling *al-Maghrib*, or North Africa. Islamic expansion also proceeded south across the Sahara into the Sudanese black indigenous kingdoms. The success of the Islamic invasions was grounded in the religious and therefore non-secular calling to submit themselves to the will of "God" of whom they believed, Mohammed was the Prophet. Strict adherence to the principles of submission to the teachings of the Prophet translated into a disciplined religious army driven with the calling to make all humanity subordinate to the will of one God. The concept of the universal submission (*Islam*) of all mankind to one God served to encourage the Arab tribes to unite if they wanted to succeed in achieving the calling of the Prophet. This conviction also served to motivate the conquest and submission of non-Muslim believers, as well as the organization of conquered societies according to the rules of the Islam faith (Fage and Tordoff 2002). After the Muslim conquest began in the seventh century, the penetration of Muslim beliefs and Arab culture followed new waves of Arab out-movement. The Fatimids' conquest of Egypt, in 969 particular, consolidated Arab control over the fertile lands and resulted in massive trade expansion, across the northern African coastline, but also internationally. Merchants accumulated impressive wealth, despite the high taxes extracted by the new rulers (Oliver 1977). In North Africa the Islamic invasions resulted in several Muslim states – the Merinid kingdom (1248), the ABD Al-Wahid kingdom (1248), the Hafsid kingdom (1229), and Egypt. The conquest of the *al-Maghrib* took a lengthy period of time, because of resistance by the Berber tribes. From the initial expansion across the *al-Maghrib*, the conquests proceeded across the Sahara into the Sudan.

The infiltration by Islam into the Sudan or sub-Saharan lands of West Africa had a profound impact on the indigenous kingdoms, but did not usurp them entirely. Internal struggles for power undermined Islamic expansion. It was only in 1076 that a Muslim army under Abu Bakr conquered Ghana. From the kingdom of Ghana, Islam domination penetrated into the kingdom of Mali, which resulted in King Mansa Musa accepting the Muslim faith. When Mali fell to the rising Songhai kingdom during the sixteenth century, the Songhai king had already been converted to Islam. Also in the kingdom of Kanem-Bornu the indigenous ruler, mai Umme (mai is the title of the king) converted to Islam in 1086. The kingdom was thus not conquered by Islam, but accepted aspects of the faith in public and private life. The loosely constituted Hausa states to the east of the Sudan, accepted aspects of the Muslim faith and implemented administrative systems inherited from the Songhai Empire. These were closely molded to Islamic directives.

The North African Muslim states were strictly organized along Islamic principles. The governor of the state or province occupied the central state power, supported by a military and civil administration. Finances were managed by a separate Department of Finance, responsible for the extraction and management of revenue from the conquered territory. The Islamic bureaucracy was characterized by professional officials/bureaucrats each assigned specific specialized duties of state administration. All conquered land came under the ownership of the Islamic state. Indigenous peoples were permitted to work their lands and work as artisans or craftsmen but were incapable of taking administrative office. Social stratification developed. The Arab Muslims were the aristocracy or highest class; the indigenous people who had converted to Islam were subordinate to the Arab Muslims. They were exempt from poll tax, but had to pay land and poor taxes, and shared in the material benefits of all Muslims. The third class, or lowest social stratum, was the non-Muslims. These indigenous peoples were heavily taxed and had to support the military. A fourth category was the Jews and Christians, who maintained cultural and religious autonomy, but were subject to Muslims in society (Baulin 1962; Trimmingham 1968; Holt et al. 1970).

Even though the Muslim conquests were associated with the setting up of well-organized administrative structures and introducing sophisticated financial management, including mathematical calculation of taxes and other revenue, Islam had a limited influence on the source of state power or the execution of power. Despite conversion to the Muslim faith, most of the indigenous African kings crafted a unique blend of pagan religion, from which they derived their authority, and Islam.

This was very obvious among the Berber tribes – they were conquered by the Islamic armies, but essentially remained loyal to their tribes, tribal traditions, and tribal dialects. Fage and Tordoff observed, "Kings and their machineries of government might seem to be Islamised, but the principles of Sudanic royal power remained pagan" (Fage and Tordoff 2002: 188). In the last resort, the authority and legitimacy of the king originated from the acceptance by his subjects that he was the descendant of the ancestors of the people. Islam was nevertheless often used to strengthen the authority of the king, to improve state organization, to enhance his legitimacy through association with a specialized educated merchant class, and to promote education through Islamic schools. It is important to remember that the monarch determined the degree to which Islam was put to use in his kingdom.

The organization of the state in North Africa before the invasion of Islam, and in indigenous kingdoms in the Sudan, during the period up to around the first two centuries after Christ, was fairly simple. The king or monarch was the sole ruler, assisted by persons of his selection, from designated social categories. As the primary owner of factors of production, such as land and other natural resources, he determined the scope and scale of agricultural production. The monarch also controlled trade and revenue collection. The history of successive kingdoms since earliest Neolithic times to the Iron Age and thereafter tells of the centralization of all management functions in the ruling monarch. This monarch may have been reigning a large and strong empire. He may have been reigning a small state, sometimes a single city-state, or a group of weakly integrated states, such as the Hausa states in the eastern Sudan region. The degree of undisputed authority fluctuated – some states operated under strong central authority of the king, such as the united Egyptian kingdom after 400 B.C. Other states experienced different factors contributing to weakening central authority, the demise of the power of the kingdom and the succession of either a new ruler or another kingdom. The sole underlying principle of management was power – derived through descent or conquest.

Individual merchants and traders exercised their entrepreneurial capacities within the confines of the permission of the absolute monarch, who controlled all economic activities. On the macrolevel he gave permission for commercial activities and collected the taxes from such profitable transactions. Business was not an autonomous enterprise, but an extension of state authority. The Islamic rulers exercised strict control over trading caravan routes and merchant activities in ports and markets at intersecting caravan routes. Depending on the strength of the centralized authority of the indigenous monarch, commercial operations were organized by individual businessmen, working with members of his/her family or community. As central authority collapsed, contesting tribes competed for trade routes and markets. The disintegration of the Songhai kingdom, for example, enabled the formation of a confederation of pastoralist tribes, themselves causing instability as they competed for trading routes, markets, and grazing fields (Fage and Tordoff 2002: 191). Where Islam penetrated the indigenous society, it also caused profound ethnic shifts. An example of this occurred when Fulani pastoralists began to gradually join Muslim towns in sub-Saharan Africa during the sixteenth century. Many joined in the rights and privileges of Muslims. Much later the Fulani used the Islam *jihad* to extend power in the region.

African Societies in the East and Southern Africa

The Christian peoples of the Kush kingdom and later the Aksum Empire (current state of Ethiopia) experienced constantly changing dynamics in their relationships with the Egyptian kingdom and, subsequent to Muslim conquest of Egypt, successive Islamic sultans. The peoples of the Horn of Africa lived in a dynamic coexistence of Christians, Muslims, and pagan indigenous African communities. The eastern coastline and the Red Sea were the location of extensive trade between Asia and Africa, but as the Bantu-speaking migration from the western regions gained momentum just before the Christian era, a new period of agriculture and pastoralism started in East Africa. The Bantu-speaking peoples took with them their knowledge of agriculture and animal husbandry. They had also acquired the skills to manufacture iron tools. These indigenous African black people's migration from the western Sudan, proceeded across the Congo Basin toward the south and eastern coast of Africa. These pastoralists pushed the hunter-gatherers south, and by the sixteenth century, the Bantu-speaking peoples had arrived from the Shaba/Katanga region of the current Democratic Republic of the Congo (DRC), in the region of the Kei River in what is currently known as the Eastern Cape province of South Africa. The ethnic changes resulting from the migration included the settlement of the Lund and Luba kingdoms in the Shaba and Kasai regions of the DRC, and the Shona/Mbire kingdom to the south in the Great Zimbabwe. Further migration of Nilotes (people from the Upper Nile region) and Muslim Arabs into the region gave rise to economic competition, cultural integration, and political contestation. Muslim traders from Asia met with fierce indigenous defense, resulting in the appearance of permanent inland Muslim city-states, such as the city-state of Harar (located in modern-day Ethiopia). Muslim traders used Harar to source ivory, gold, and slaves to distribute through the cross Indian Ocean trade routes to Asia and beyond. Along the Eritrean coastline, colonies of Arab merchants and settlers were converted to Islam after the Islamic invasions commenced. By the twelfth century, Kilwa (located in modern-day Tanzania) was the most prosperous east-coast trading city and firmly under Muslim control. Kilwa emerged as the center from which Indian Ocean trade routes were reestablished after the Greek control was unseated. Regular upheavals of conquests and resistance between Islam, Christian, and pagan indigenous communities occurred. The Christian kingdom of Ethiopia succeeded in sustaining its sovereignty and between the fifteenth and sixteenth centuries expanded its territory (Fage and Tordoff 2002; Wickins 1986; Oliver and Atmore 2001).

The organizational structures of the dispersed African societies in East and Southern Africa differed greatly. The kingdom of the Great Zimbabwe displayed strong central authority in the hands of the king, supported by a bureaucracy and kinship support. The royal power of the king controlled all trade, exchange of gold and ivory. The ruling elite lived in an enclosed compound, served by ordinary people loyal to the king. As in other indigenous kingdoms, land ownership was with the king, and he determined usage. He also owned the crops and distributed food. The most significant achievement of the Great Zimbabwe was the building of the large "houses of stone" (*dzimba*), using crafted stone and iron, to secure safe living to the Shona people. The king, just as had been the case with the construction of the Egyptian pyramids, provided leadership in planning, organizing, and executing the massive stone construction of walls at some places 30 ft high and at base 15 ft thick. A similar strong and powerful king reigned the Bakongo people in current-day DRC. The *Manikongo* (king for the Kongo people) headed up a hierarchy of provincial and sub-provincial chiefs, appointed by the king, and on their part ruled over traditional villages with traditional headmen. The king depended on his "lords," which was not much more than a bodyguard of soldiers, to appoint him from members of the royal family. Social stratification entrenched a class structure. The king used the social organization to accumulate wealth through trading and taxation (Fage and Tordoff 2002).

The same strong inward-looking power structure was not present among the indigenous black African peoples of what today is known as Tanzania and Kenya. In Tanzania the organization of the monarchy was on a lower and more limited scale. The organization of the kingdom was much smaller and less centralized. The land was less suitable to agriculture and therefore fewer people settled there to sustain themselves. There were simply far less people in Tanzania than in the kingdom of the Great Zimbabwe. Further the region of what is today known as Kenya emerged almost "stateless." Smaller chieftainships defended the livelihood of smaller groups of black African peoples. A less powerful central tribal structure allowed the extensive network of Muslim Arab trading settlements to gain relative permanency. By the middle of the fifteenth century, these traders had penetrated deep into the central parts of the region, but indigenous societies, despite being less organized than the kingdoms of West Africa, resisted permanent Arab settlement into the interior. The relations among the Arab Muslim traders, the indigenous black African tribes, and Christian societies in Ethiopia between the Islamic invasions and European penetration in East Africa were dynamic, volatile, sometimes collaborative, and coexistent, but did not afford any single entity permanent domination. During the fourteenth century, the Christian empire of Ethiopia was superior to the Arab Muslims. The Christian army of Ethiopia was better organized and had better manpower, which secured them the upper hand against the Muslims. The Christian empire expanded during the late fourteenth and early fifteenth century, but then Islamic expansion to Mogadishu halted the Christians. The arrival of the Portuguese fleet during the fifteenth century supported the indigenous Christian societies in Ethiopia in the wake of existential threats by advancing Islamic forces (Oliver 1977). This contributed to the coexistence in the region.

Management and Organization

The unfolding of the history of statehood, power, and economy is a prerequisite to the understanding of the foundation of management and organization in the diverse African contexts. Before the onset of scientific management, the organization of society, polity, and economy developed within the realm of traditional culture. African societies were no different from other ancient societies in Asia, the Americas, or Europe. Society was organized according to a hierarchical social system involving distinct classes of royal and ordinary people, an elite or aristocracy/nobles, free persons, occupational casts, or classes (such as jewelers, blacksmiths, tanners, tailors, workers, and unfree persons/slaves) (Andrea and Overfield 2001a). The history of management in Africa is an extension of the sociopolitical trajectory of its people. The earliest management of society was, as in the rest of the world, in the hands of a chief. This position depended on wealth, which evolved from the ability to organize, manage, and control resources and ultimately lead her/his subjects to sustain and improve their existence under her/his authority. As illustrated vividly in the early history of the Egyptian and subsequent indigenous black African societies, centralized sociopolitical power was directly linked to the mobilization of resources, natural and human. In different form and substance, power resided in a single person, irrespective of the title. Various succession paradigms existed – hereditary, paternal ancestor, and maternal ancestry. In all societies kinship relations determined social position, either in political management, economic management, or military or bureaucratic management. The history of Africa shows the inherent stratified nature of society and the prolonged perpetuation of privilege, inequality, and power. The inherent instability caused by military power to defend authority meant repeated challenges to power, succession insecurity, and, as described in the history, succession of kingdoms or empires.

While societies were organized around a social kinship nucleus, the leader managed society, polity, and economy. Management is concentrated centrally and functions delegated according to the prerogative of the individual leader. African societies were essentially communal, which does not imply collective decision-making. The undisputed authority of the ruler translated into the management decisions of the entity. In the absence of codified law, both domestically and internationally, the ruler's power was curtailed only by the degree of adherence to tribal customs.

The organization of the polity was integrated with the mobilization of economic resources. At no stage in the history of Africa can be contended that there were no markets. Market always existed. Exchange was in the form of barter and was actively pursued with neighboring regions in the Arab world, the Greek civilization, and the Phoenicians. The Arab Islamic invasions opened up trading routes, as explained. Extended markets existed for natural resources, such as salt, gold, iron, copper, kola nuts, food, etc. The merchant exchanges were planned, organized, and controlled by the political authority sanctioning trade. Macroeconomic management was part of the central state function, and micromanagement of merchants, traders, or producers was simply the extension of the authority of the king or emperor. In the Muslim states, the Muslim ruler exercised oversight control over the caravans. Literate Muslim merchants from the urban centers, however, organized the collection of commodities for exchange, the routes of travel, the conditions of exchange, and control over the finances by systematic bookkeeping. In some cases the merchant appointed an agent, or employee of the merchant, to accompany the caravan on behalf of the owner. These caravans were sometimes organized in a firm-like business structure, with owner of the assets, and employees engaged in the actual business of exchange or barter. Islamic law recognized "partnerships" between merchants, as well as the extension of credit between merchants, which reflects collaborative management. The management paradigm was centralized direct owner-managed business control of entities, sanctioned by the state (Oliver 1977; Wickins 1981; Oliver and Atmore 2001; Fage and Tordoff 2002; Verhoef 2017).

In the indigenous black African kingdoms of the Sudan, the king exercised direct control over the core economic activities – production and trade – but private individual merchants were allowed to compete with the large state enterprises. Authorized by the king, private businessmen operated as middlemen between producers and the state. Management of economic activities therefore operated on three levels: overall macro-management on the state level by the ruler, intermediation as middlemen by strategically thinking entrepreneurial merchants, and on the lowest level of kinship and the tribe, where the chief manages peasant production and delivery. The management of the production function fell within the responsibility of the chiefs. They also organized localized market exchange or the so-called petty trading in communities. Local merchants organized the trade expeditions (similar to the Muslim traders' organization of caravans) in urban centers as well as between urban centers and states/kingdoms. These merchants appointed transport agents to accompany the trade expedition in return for commission. The merchants were typically rich, influential members from respected families, private owners of the trading business, operating under state sanction in ways that complemented state business/trading operations. The merchants also depended on the military protection of the state to engage successfully in the trans-Saharan trade. In these Sudanese kingdoms, state formation and trade development were mutually reinforcing and not competing processes (Austin 1996; Austin and Cordell 2002; Verhoef 2017). Despite central state authority, albeit sometimes weak, multilayer management of commercial activities existed.

The organization of the lucrative salt trade offered a case in point of state management of a key economic activity. Salt production was a family enterprise, but the trade depended on state permission. Again, the merchants facilitated the acquisition of the salt, organized the trade on routes they managed, and earned commission on their endeavors, and the state collected the taxes on the salt production (Lovejoy 1986). The extensive organization of trade in humans (slaves) in Africa, especially in Sudan during the eighteenth century, illustrates the importance of strategic management of trade by indigenous kings. The permission of the king was required for the selling of slaves. He also determined the numbers of slaves to be offered on exchange, and thereby he could manipulate the price. Slaves were sourced from both inland and coastal kingdoms, but the king had preemptive rights on offering the sale of his slaves. During the heyday of the transatlantic slave trade, kings and their military structures dominated that specific trade (Law 1977). A significant dynamic in management appears at this juncture in Africa's history. The king/state's unchallenged power to plan the state economy, that is, to decide on organizational goals and devise a strategy to achieve the plan, remained her/his sole right. That right was exercised in collaboration with lower levels of management – i.e., the merchants and chiefs. The organization of the task (manufacturing salt, extracting, selling, or extract slaves, determine price, exchange the slaves), constituted her/his sole authority but was again exercised through mutual input. The king depended on the lower levels of management for success in realizing organizational goals. Leadership in execution was not limited to the king, but actually in most cases more dependent on the skills, professionalism and competency of the merchants. The final dimension of management, namely, control, was primarily exercised by lower levels of management – merchants, the military, and bureaucracy. Despite changes in the political authority, be that Muslim caliphate of indigenous African kingdom, the relation between producers and merchants remained the same (Lovejoy 1986).

A significant phenomenon in the management of African economic activity is the hierarchy of management. The ruler, irrespective of her/his source of power, managed with varying degrees of intensity on the macrolevel. On the operational level, a middle order of management exercised managerial control. As the massively lucrative slave trade came to an end (with Britain's abolition of slave trade in 1833, slave ownership remained legal), an interest developed in the exchange of other commodities. While the kings and Muslim rulers exercised almost monopoly control over the slave trade, the trade in other goods was open (Hopkins 1973; Coquery-Vidrovitch 1972; Law 1977). An interesting example was the development in palm oil in Dahomey. The demand for other raw materials from Africa after the period of active slave trade offered an opportunity for trade in palm oil. This developed into a successful enterprise and finally the Dahomey king declared a royal monopoly on palm oil. The king appointed the private merchants in that market as his agents. The royal monopoly secured the king control over the trade as well as the proceeds, but private business was still permitted alongside the royal operations. The private entrepreneurs were more successful, since they had experience and skills acquired through their development and organization of the industry. The royal appointment of experienced merchants as agents and permission to other merchants to operate independently resulted in a dynamic coexistence between the royal monopoly and independent merchants. It was apparent that the king acknowledged the efficient and successful managerial expertise that had developed on the operational level of business (Law 1977).

A fine example of the evolving hierarchy of management in West African societies is the organization of management by the Asante in Ghana. King Osei Kwadwo (1764–1777) organized the bureaucratic administrative system of state management. Trade in the Asante kingdom was organized as delegated authority to the middle level of management, to officials of the king. The king selected officials on the basis of skills, merit, and performance. These bureaucrats derived their authority directly from the king. They developed into a managerial officialdom with systematically evolving duties. These duties evolved around specific "departments" of administrative offices (*dampans* in Asante), but were also allowed to have their own independent business activities. These officials were therefore remunerated by the king, but could also establish their own private fortunes. The officials performed explicitly defined administrative duties to organize trade. Systematic records of transactions were kept according to the traditional accounting method using cowries. In this respect the king used educated Muslims and members of his own household, trained in the Muslim schools, to maintain the records. The extension of this system of administrative management spread across the kingdom as a display of royal authority. The decentralized "offices" of administration served as locations of further training of new officials. These positions were nevertheless not hereditary – a successful father could not count on his son inheriting his position. An extensive administrative class developed. Some were diplomats, who had to engage with neighboring kingdoms and cities. This position as an appointed official of the king gave these bureaucrats the opportunity to earn state remuneration and permission to accumulate personal wealth. Royal sanction thus created and perpetuated hierarchy and class formation (Wilks 1966, 1967, 1975; Andrea and Overfiled 2001b; Austin 2002; Wariboko 1997, 2002).

The reality of ethnic differences played out in another distinct form of management. In the eastern region of the Niger delta, a federal system of collaborative management developed. The management of business during the eighteenth and nineteenth centuries was a joint enterprise between managers and employees. Independent business people engaged in transatlantic trade along the western African coast. The business entities were organized in so-called trading houses (*war*), which constituted the control centers of trade and warfare. The leader of a business unit, or *wari,* was the manager who was responsible for the performance of the house. This manager was an indigenous chief, but he could not rely on the chieftainship to become or remain a manager of the *wari.* Success in the managerial position depended on the performance of the house. Promotion depended on performance and failure to perform could result in removal of office. Different houses competed with one another and failure to perform could bring an end to the managerial position of the leader. Individual ambition, intelligence, and responsibility toward the interests of the entire house were the traits which secured successful leadership of the house and a prolonged career to the manager. Since performance determined sustained leadership, both in business and warfare, the *wari* brought together like-minded, equally ambitious and dedicated persons working for their own prosperity. None of the positions in *the wari* was hereditary, but clearly conceptualized in indigenous law and customs. Merchants surveyed markets for the commodities in demand, sourced the goods they could trade and transacted in the most efficient way so as to manage transaction costs for the *wari. M*erchants invested in transaction-specific assets on the basis of the successful transaction conducted across various boundaries (each *wari* operated in a specific region, but was not confined to that operational space). These transaction-specific assets included human capital assets for trading and security protection, links to other trading partners, and transport equipment (Jones 1963; Horton 1969; Alagoa 1964; Wariboko 1998, 2002).

The *wari* operated in a federal form or association. A single *wari* operated under the management of a chief or manager, while a group of *wari* formed a *polo* for the purposes of collaboration in bigger trade enterprises. A number of *polo's* combined to make up a "corporation" (Wariboko 1998), which functioned loosely, but in a coordinated fashion in the interest of all the polo's. Each wari strove for optimal performance, thus motivating employees to work hard for the common prosperity.

Employees operated semiautonomously, since their functions were outlined only broadly as the objectives of the *wari*. Employees enjoyed a high degree of discretion on operational strategy, but the benchmark of conduct was optimal performance. If the *wari* underperformed, employees were at risk, since weaker performance could lead to the absorption by better performing *wari's* of underperforming ones. The employee is driven by the potential adverse effects of underperformance. The employee is managed by the manager but also afforded semiautonomous room to act according to her/his assessment of the context. The fundamental underpinning of trust – among employees mutually, between employee and manager – constituted the strength of the management "coalition" (Jones 1963; Wariboko 1998, 2002). Wariboko (2002) considered the wari (or canoe house system) not to constitute a systematic management strategy, but rather a collective assessment of context and decision-making toward realizing mutual goals. There was no doubt about the leadership role of the manager, but rigid hierarchies did not characterize this approach to management. He concludes: "Management was not a planned process of 'analysis and logic, but of emotion an intuition', and *ad hoc* responses to immediate needs" (Wariboko 2002: 245).

This case of the *wari* approach to management in western Africa illustrates the middle layer of management in Africa, where royal permission allows relative autonomy at the lower levels, both formal and informal, of management. The risk posed by this approach is the intuitiveness and lack of exact or precise boundaries to discretion. Under conditions of mutual trust and integrity, the *wari* succeeded, but once the underlying trust was broken, the entire system was at risk. More personalized individual "firms" also emerged as the indigenous African population responded successfully to the opportunities of coastal trade with European merchants passing the shores. Several interesting studies on successful entrepreneurs have been recorded. Such Ghanaian coastal merchant entrepreneurs were John Sarbah, John Kabes, and John Konny, who built prosperous family trading enterprises (Dummett 1973; Daaku 1970; Verhoef 2017). These developed into family enterprises trading with European firms on the coast. These indigenous black African enterprises functioned as the "middlemen" between suppliers in the interior and the European traders on the coast. The form of organization borrowed from the European firms as the entrepreneur operated as the private owner, the risk taker, and the beneficiary of profit. Extensive businesses developed under these conditions, but when European firms and chartered companies penetrated the African interior after colonization, the frailty of these businesses were exposed by international competition. Dummett held the following reasons responsible for the demise of many a West African trading firm: excessive competition, overextension of credit, ineffective accounting, natural disasters, lack of succession planning and death of the owner, fragmentation of business and property, oligopolistic price fixing by European traders, and finally the extensive rate-fixing and rebate policies of the West African shipping companies (Dummett 1973: 687). Many of these factors lay outside the control of the African entrepreneurs. Nevertheless, they exposed the shortcomings of the indigenous management system. Wariboko put the demise of the family trading firms down to the "...the non-European strands were short-circuited in their development. The European trading firms in the face of competition from African middlemen called in their governments to protect their trade" (Wariboko 2002: 249). In the colonial and postcolonial eras, Africa's entrepreneurs experienced a different form of managerial hierarchy. The newly independent state intended to achieve economies of scale and scope. The state intervened to coordinate and monitor the flow of business activities and to plan for the future allocation of resources (Drucker 1964). This exposed entrepreneurs to a new world of management.

The smaller African kingdoms, the strong presence of Muslim Arab and Indian traders from the seventeenth century, and the Portuguese presence gave rise to a more contested, dynamic business environment in East Africa. Zanzibar was the center of complex trading networks between the indigenous African kingdoms, the Omani Arab Indian Ocean traders of Zanzibar, other Indian trading families, and the Portuguese. The Omani traders established trading posts on the coast, from where exchanges were made with the indigenous African kingdoms (Austen 1987; Andrea and Overfield, 2001b; Abu-Lughod 1991; Seligman 2015). The African kingdoms managed trade as explained. Direct authority was with the king, who allowed his subjects, officials, or military men, to operate on his behalf. Ultimately, however, it was the king who collected the taxes. The Arab and Indian Muslim traders all operated in the family firm paradigm, led by a father, or manager. The managerial structure of the Arab and Indian Muslim family firms was simple: centralized control by the founding father and collaboration and execution by family members. The indigenous African people were less inclined to commercial trading, but intermarriage between them and the immigrant Indian trading families assisted in the transfer of some business acumen. The Indian families did not travel in caravans as the Muslim traders in North and West Africa, but lived in closed family communities where sociopolitical organization overlapped with the family enterprise. The Indian trading firms controlled the export trade from East Africa across the Indian Ocean and therefore exercised strict control over credit and the sourcing of commodities for export. These family enterprises had access to capital either through accumulated savings or credit lines from families in India. They also extended credit to Arab-Swahili traders in the region (Oonk 2011, 2015; Brown and Brown 1976). Similar Indian family enterprises develop on the Natal east coast during the nineteenth century. The Natal Indian family firms were also closely knit enterprises, managed by the founding father, employing family members and living in relatively secluded family compounds (Pachai 1971; Hiralal 2000a, b; Padayachee and Morrel 1991; Guest and Sellers 1985). Indian entrepreneurs also moved to the Transvaal after the discovery of gold to take advantage of new markets and the rapidly exploding population (Collier 1965; Huttenback 1971). Indian family firms emerged in nineteenth-century Transvaal and are today still operating under the fourth-generation family control. Similar family enterprises were started in East Africa (current Tanzania) during the late nineteenth century by Kanji Jeraj Manek, Subrash M. Patel, and Manu Chandaria (Sutton 2012) and by the Madhvani brothers in current-day Uganda and Mohan Kothari in modern-day Ethiopia (Sutton and Kellow 2010; Verhoef 2017). The management structures of East African trading firms, primarily in the hands of Arab Muslim or Indian families, offered no unique form of management in Africa. These were basically small and centrally controlled family enterprises. The longevity of these firms is testimony to the capable leadership, strategic planning, organization (succession planning and execution), and control by family members. This characterized management of family firms along the entire East African coast.

Conclusion

Pre-colonial Management in Africa

When Frederick Taylor developed his theory of the scientific management of business during the late 1890s, indigenous African managers generally considered their managerial function as an extension of the political system. Management was centralized and authoritarian, an outcome that reflected traditional African cultures, as well as Muslim perceptions of authority at the time. That was the "culture" of the time. European powers decided at the Conference of Berlin in 1884 on a framework for the division of Africa. From the last decade of the nineteenth century, European colonial powers systematically "scrambled" for control over parts of Africa which were considered in the interest of the metropolitan nation. Prior to this, international commercial enterprises commenced a new era of global expansion during the seventeenth century. The Dutch East India Company was the world's first "multinational" enterprise. The British East India Company operated in the East India region. Several other chartered companies received royal sanctioning to operate outside Britain. These internationally operating companies were managed by experienced businessmen, capable of directing operations across vast geographical areas. By contrast, management theory was in its infancy during the pre-colonial era in Africa. As the theory of scientific management theory introduced the concept of "thinkers" and "doers," or the distinction between managers and workers (Senge 1990; Schachter 2010), in Africa the ecosystem of diverse traditional indigenous cultures shaped the historical trajectories, capabilities, and cultural nuances giving rise to the African management sociopsychological norms (Honig 2016). The trends in African management emerging during the long pre-colonial era are twofold. First blurred boundaries between state power and economic power typified the sociopsychological integrated conception of power. Centralized and authoritarian power manifested on three levels – national or macro-state political level; intermediary ruler-appointed middlemen, bureaucrats, and military officials; and on the lowest level of primary producers and small traders. In the absence of the institution of property rights, decision-making and, therefore, original managerial decisions were only taken on the basis of delegated authority. The second trend is found in the ways that the nature of power led to social hierarchies and was perpetuated by Muslim penetration and expansion. The only evidence of collective social capital formation on the grounds of traditional culture is in the *wari* and family business contexts.

The distinction between state and enterprise management in western society emerged from the transition from mercantilism into laissez-faire during the nineteenth century. European nations, the Netherlands, Portugal, Britain, and France, encouraged extensive international voyages of discovery and establishment of trade connections. Up to the late nineteenth century Africa, both under indigenous African and Muslim Arab control, the management function was integral to sociopolitical power. As explained through the unfolding of the history of Africa before colonial penetration, managing the state implied managing the economy as an extension of royal power – either indigenous kingdoms or Muslim religious authority. In the sphere of business management in Africa, the separation of state power from the sphere of business was comparatively rare, since market-oriented policies were not implemented. Operational freedom depended on the political authority. Societies were highly hierarchical, thus hampering entrepreneurial freedom and the development of business-facing management. This culture of centralization and authoritarianism is still prevalent today (Jackson 2004; Mapunda 2013; Honig 2016).

In the case of the West African *wari* and in the Muslim-dominated family enterprises of East Africa, performance-driven collective culture contributed to the adoption of management practices supporting successful enterprise. The longevity of enterprise is supported by capable management. Business-facing management in Africa was seriously handicapped by the ecosystem, which is the concentration of state and economic power. This was prevalent during its history and persisted deep into the independence era. This chapter outlined the historical development explaining the failure to implement strong management in business under the "omnipotent" god-like king, religious ruler, or traditional indigenous all-powerful chief. In the wake of colonial control and subsequent authoritarian post-independence state systems, the dichotomy between collective culture and authoritarian sociopolitical power exercises a profound impact on the development of management practices in Africa.

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Africa and the Firm: Management in Africa Through a Century of Contestation 53

Grietjie Verhoef

Contents

Abstract

As the contours of exchange between African merchants and external agents changed, so did management practices develop in Africa. Three stages of global interaction developed to connect African business with the rest of the world. From pre-colonial to post-colonial interaction emerged managerial practices as African entrepreneurs negotiated the changing context of business. Management slowly adapted to the transition from traditional control to individual enterprise. In the late twentieth century, market liberalization supported the rise of individual entrepreneurs. This gave rise to management styles aligned with modern western management. A complex management dynamics was perpetuated through the sustained state intervention in post-independence economies. A claim to a distinct African management style raised a discourse on the essence of how firms are

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managed in Africa, especially in the context of growing globalization of African business. The dynamics of management in Africa in the twenty-first century is the fusion between modernity and tradition.

Keywords

Middlemen · Technology · Institutions · Decentralise · State-owned enterprise · Family firm · Conglomerate · Indigenous knowledge

Introduction

The dynamic processes of historical change follow human agency. The question about why some nations are wealthy and other nations poor has taken on a "great divergence" discourse. The key to understand the development paths of peoples is understanding exchange. It concerns the action of human agency to extend beyond isolation and gain from human ingenuity in other distant geographies. Adam Smith argued in his 1776 *Wealth of Nations* that exchange between markets promotes accumulation and wealth. It is the ability of societies to overcome the "diffusion barriers" (Day 1998) that allowed for exchange. This exchange was not only trade in commodities but also exchange in capabilities – the ability to write and technology to master environmental challenges and social organization (institutions) – enhancing progress from subsistence to wealth. It was essentially the voyages of discovery by Vasco da Gama and Christopher Columbus since the fifteenth century that paved the way for the division between rich and poor (Madison 2007; Allen 2011). Geography facilitated the early diffusion of civilization across Eurasia and North Africa, while the Sahara desert posed a barrier to the diffusion of the progressive technologies of civilization to spread to sub-Saharan Africa. Some technology (pottery and iron metallurgy) arrived in Africa at almost the same time as in Western Europe, but only found its way to the southern tip of Africa 1000 AD. Once the geographical barrier was overcome, the dominance of the advanced European technology and social organization had a profound influence on African societies. The first globalization of the fifteenth and sixteenth centuries took European nations by ships to distant part of the globe, enabling extensive exchange and physical penetration or colonization. Between 1500 and 1800, the foundations for progress and prosperity were laid in societies currently considered to be rich nations – the Low Countries and Britain (and societies of British settlement – Australia, Canada, New Zealand, and the USA). The difference in wealth between these countries and all of Africa did not commence in 1500, but was exacerbated by subsequent developments. In 1500 Africa was already poor by international comparison – the poorest region in the world. Reflecting on the fundamentals underlying the prosperity of the wealthy nations, the factors are geography, institutions, culture, and "accidents of history." The human agency contributing to successful wealth creation in countries that outcompeted most other countries of the world, Western European countries, Britain, and the USA, are the following: developing an integrated internal market through the removal of internal tariffs and transport infrastructure, external protective tariffs to secure the domestic market, mass education to strengthen literacy and numeracy, and chartering of banks to stabilize the currency and finance industrial development (Hellriegel and Slocum 1985; Pritchett 1997; Day 1998; Fogel 2004; Milanovic 2005; Madison 2007; Allen 2011).

Africa's development since colonization brings the intersection of Africa with the nations of the world that succeeded in building wealthy societies. This is the context of a distant tapestry of societies engaging with the western "firm" – a unit of entrepreneurial organization that shaped the integration into the global community. The path dependence on authoritarian political rule and limited human agency by indigenous black Africans in expanding exchange outside of the continent meant that the benefits of Smithian trade fell to the early Arab and Asian Indian merchants who crossed the Indian Ocean. Extensive intra-African trade soon linked to European interest in African commodities. The transmission barriers between technologically advanced societies were gradually overcome as European penetration delivered exchange between Africa and Europe. It also introduced the peoples of Africa to western institutions, sociopolitical organization, and economic systems. This chapter explores how management developed its economy and society in Africa in the era of colonial penetration and postcolonial independent Africa.

Introducing the Firm: African Management Complexity and Diversity

An overview of the history of African interaction with European organization of trade, enterprise, and society since the first wave of globalization through to the second wave of globalization unpacks the complexity of management in Africa. African history can be distinguished in three phases of global interaction. The first phase is trade exchanges and European colonization from the 1820s to the post-1945 World War II era. Africa then entered the postcolonial period of independence. The third phase emerged from crisis and restructuring. The last decade of the twentieth century ushered in a fundamental reconceptualization of firms, business, and society in Africa. Throughout these phases, dynamic interaction between social organization, political power, and economic activity influenced the degree of convergence between the western nations that had taken a lead in making their societies prosperous and progressive (the so-called Atlantic economy – O'Rourke 1997) and the African peoples. A brief outline of the African experience with globalization follows, thereby setting the context to understand management in Africa. Management in Africa does not reflect simply on the management philosophy and practices of indigenous black African people but to management of enterprises in Africa. This includes the management philosophy and practices of business owned by people of Asian and European descent. Africa has a multiethnic, multiracial, and multilingual population claiming Africa to be home (Verhoef 2017).

Scramble and Control

The fifteenth-century Portuguese colonization of Mozambique represented the first European establishment of political control over the indigenous African population on the east coast of Africa. However, competition and contestation over access to trading routes and trading posts – generally sponsored by the European dynastic or nation state – intensified during the seventeenth and eighteenth centuries. Prior to the actual colonization, European nations established trading settlements around the West African coast. When the Dutch East India Company (DEIC) usurped Portuguese power in the Indian Ocean during the first decade of the seventeenth century – the Dutch West India Company having previously evicted the Portuguese from their trading establishments on the West African coast between 1637 and 1642 – it followed this action up by establishing a refreshment station at the Cape of Good Hope in 1652, a station that became the main transit point for first Dutch and then English-speaking peoples into the Southern African interior. Other northern European societies to establish trading settlements in this era included Denmark, Sweden, France, and Brandenburg. In most cases, European trading companies operating on the West African coast initially focused on the highly profitable slave trade to the Americas (Lovejoy 2000). After the abolition of slave trade in the British Empire in 1834, however, commercial exchange in other commodities underlined the entrepreneurial nature of African societies. Through the existing trade networks under the auspices of the king or ruler, well-organized middlemen secured the flow of goods between suppliers and the market. European demand for palm oil, cocoa, rubber, cotton, gold, ivory, kola nuts, and salt witnessed the exchange of these products in return for European manufacturing goods (Austen and Cordell 2002; Ayittey 1991). Africa was therefore fully integrated into the global trade network, in humans as well as other commodities. The trade with sovereign indigenous black African rulers (chiefs, kings) depended on the establishment of a relationship of trust and goodwill between trading company and ruler. European merchants engaged with the independent political authority of the region from where goods were sourced. The organization and management of exchange with Africa did not change, but European trading companies restructured operations. Private business enterprises consolidated into larger businesses and sought British Royal Charters to sanction operations. Examples of such companies were the Royal Niger Company, which secured a Royal Charter in 1886, the Imperial British East Africa Company in 1888, and the British South Africa Company in Southern Africa in 1888. Apart from royal sanctioning of the companies' business activities, the companies were also granted the responsibility to administer the regions of operation on behalf of the British Monarch. Although this constituted the roots of British colonial conquest, it did not deliver the chartered company undisputed authority. That belonged to the indigenous king, to whom taxes were paid. The same applied to the Portuguese companies the *Companhia de Mocambique* (1888), the *Companhia da Zambezia* (1890), and the *Companhia do Nyassa* (1891) operating in Portuguese territories (Verhoef 2017; Fage and Tordoff 2002; Swainson 1980; Van Aswegen 1980; Hopkins 1976a, b; Smith 1974; Vail 1975).

The "Scramble for Africa" entered a complex juncture in the 1880s and 1890s. Britain had established small colonies in Sierra Leone, France in Senegal, and the Belgian King in Congo de Brazza. In each case, these representatives of European civilization were distinctly different from the African societies they encountered through trade. Intra-African exchange and conflict between very diverse African societies prevailed. But Africa engagement with the Europeans was not only with people of a distinctly different civilization. It was also qualitatively different in terms of technology and resources (Austin 2002; Austen and Cordell 2002). The European peoples commanded considerable wealth and superior military technology (arms and ammunition). Moreover, a highly contested situation in Africa among competing European nations resulted in an agreement on the rules governing the future partitioning of Africa into spheres of influence. Accordingly, effective occupation of colonies occurred only after the Conference in Berlin 1884–1885, with systematic European colonization occurring between 1885 and the first decade of the twentieth century, decades that saw the introduction and consolidation of European state administration. As colonial administration became more firmly established, chartered companies relinquished their charters and entered into concession agreements with the new colonial authorities. This was the beginning of colonial control, albeit gradually, over sovereign African states/kingdoms and Muslim trading positions. Increasingly, British, French, German, Italian, and Belgian colonial administrations subjected most of sub-Saharan Africa to their bureaucratic administration. The only two non-colonized territories at that time were Liberia (which became home to a repatriated population of African-American freedmen after the US Civil War) and Ethiopia. Management of the colonies was direct: central administration extended over all aspects of colonial subjects' existence. Since colonies were managed to render revenue to the mother country, or at least pay for its own administration, the managerial structures differed notably from the centralized state administration of the indigenous kingdoms/Muslim states. Although colonial expansion typically met with fierce opposition, by the close of the nineteenth century, the last pockets of resistance to direct European rule were being extinguished. By 1898, British authority was forcefully exerted over the Fashoda around the Upper White Nile River. In Southern Africa, in 1902, Britain exerted its authority by force of arms over the independent Boer Republics, the *Oranje Vrijstaat* and the *Zuid-Afrikaansche Republiek*. The solitary exception to this pattern of domination was Ethiopia, which successfully defeated attempted Italian conquest at the Battle of Adwa in 1891. The sole beacon of African independence, Ethiopia was subsequently conquered by Mussolini's Italy in 1935 to occupy Ethiopia, only to reassert its independence after World War II (Wickins 1986).

Political control allowed colonial powers centralized management of the economy. This in turn resulted in preferential treatment of national concession companies and policies that monopolized access to trade goods. Colonial control, until systematic decolonization since the 1950s and 1960s, sustained the managerial dichotomy between European state and enterprise and indigenous black African state and enterprise. Once contestation over markets, access to commodities, and control of transport routes, prices, and labor swung in favor of the imperialists, local business was confined to an adjunct function of European enterprise. Nevertheless, distinct features of African management practices remained fundamental to the organization of society and enterprise. The new colonial masters did not seek to replicate the mother country in Africa but govern the African possessions to supplement the dominant European market. This constitutes a fundamental difference between the colonial settlements in the New World of Australia, Canada, and New Zealand. In each of these latter mentioned geographies of European settlement, the majority of the emerging settler community originated in European societies, established institutions and organizations resembling those of the societies of origin, and soon established populations consisting primarily of a majority of European settlers. These locations of new settlement inherited settlers from "advanced agrarian civilizations," who took with them "productive agriculture, diversified manufacturing, and the institutional and cultural resources necessary for 'modern economic growth.' These vital elements included private property in land and landless labour, the cultural correlates required to organise property and commerce – 'writing, land surveying, geometry, arithmetic, standardized weights and measures, coins and a legal system based on written documents and officials who could manage those texts'" (Allen 2011: 92). The settlers dispersed those advanced technologies and institutions in the societies of their new settlement. In Africa the ratio of settlers to indigenous peoples was always the reverse. European colonial powers did not implement the full scope of the nineteenth-century development model in its African colonies. Three aspects were crucial: transportation networks (infrastructure), education, and financial institutions to facilitate investment. Colonial authorities did build transportation links, but did not implement mass education or transfer financial services expertise to the African population during colonial control. Suboptimal institutions developed as the colonial population was first subjected to direct authoritarian government and then in certain areas (especially West Africa) granted "indirect rule." This was a system of recognition of traditional chiefs, which resulted in the transfer of government functions to them by the colonial bureaucracy, allowed the perpetuation of practices not considered supportive of modern economic development, such as the right of chiefs to extract unpaid labor from his subjects (Allen 2011).

Distorted Markets

In Africa, colonial administrations governed their subjects without representation for more than a half century. After World War II, Britain led the way in implementing phased in degrees of self-government, a process that typically led to the granting of independence in the late 1950s or early 1960s. In West Africa, the former British colony of Ghana became the first nation to become independent in 1957. The postindependence economic development of such nations was, however, mitigated by many of their colonial experiences. Neither Britain nor France, the dominant African colonial powers, did much to foster the industrial development of their colonies. Instead, they were managed primarily with an eye to the supply of commodities which they could provide so as to augment metropolitan manufacturing. Under colonial administration, bureaucratic management of economic activity is manifested in macroeconomic management. Colonial administrations managed access to land, encouraged the production of cash crops, organized purchasing monopolies, arranged access to credit, and introduced marketing boards to control supply and prices (Nwabughuogu 1982; Austen 1987, 2016; Olukoju 2002b). The marginalization of indigenous business through colonial market intervention thus hampered convergence between the imported form of business organization, most notably the "firm" – associated with management practices drawn from European societies – and those in Africa. Moreover, under colonial control, African business had to operate within distorted markets. Consistently, the colonial state, be it British, French, Belgian, German, or Italian, manipulated markets through policies and institutions that favored metropolitan commercial interests. By the 1920s commercial business in West Africa was dominated by three companies: the CFAO (*Compagnie Francaise de l'Afrique Occidentale*), the SCOA (*Société Commerciale del'Ouest Africain*), and the United African Company. European-based merchants even organized themselves into a cartel, the West African Merchants (WAM), to offset any challenge from local entrepreneurs (Austen 1987; Wickins 1982; Hopkins 1976a, b; Jones 2000; Van den Bersselaar 2011; Murillo 2011). Such companies enjoyed guaranteed access to capital, new technology, and markets that the local African businesses did not. By contrast to the globally oriented European monopolies, African businesses rested on the agricultural operations of peasants and subsistence farmers, each of whom was seeking to secure the best price for their produce, a task made difficult by the colonial state sanctioned price-fixing by European buyer pools for commodities such as cocoa, palm oil, etc. Consistently, colonial authorities managed the state to the benefit of the "enterprises of the mother country." This constituted an exercise tied to imperial power and prestige.

In form, colonial administrations were organized to accord with Weberian ideas of bureaucratic scientific management. This involved a systematic approach to each aspect of economic life, careful training of each official to ensure that acted in accordance with the objectives of the colonial administration, and appropriate divisions of work and responsibilities between managers and officials. The colonial "enterprise" also operated on the basis of standardized tasks, reward for bureaucratic excellence, and routine tasks (Bateman and Snell 2009: 43). The management paradigm of the colonial state was thus bureaucratic. It did not encourage or allow opposition, integration of "worker" inputs (in the colonial context, the inputs of colonial subjects), or socioeconomic convergence. Through the different stages of colonial administration (from simple British protectorate status to representative government and finally responsible government in the case of British colonies, direct central administration from Paris in the case of French colonies, direct control from Lisbon in Portuguese colonies, and in a similar centralized authoritarian style by Germany, Italy, and Belgium (see Fage and Tordoff 2002; Collins and Burns 2007), a classic bureaucratic management style characterized the administration of state, economy, and enterprise.

Alongside the dominant colonial system of management, there existed an indigenous black African and Muslim business environment. Almost always, operations in this sector were conducted by the small owner-manager. African business had a strong agricultural base around small farmers or peasants and communal cultivation under chieftainship. Operating in a competitive market with indigenous African farmers were local entrepreneurs and merchant middlemen, the so-called "expatriate" businessmen of Arab Muslims, Levantines, and Jews (i.e., people were not indigenous black Africans nor agents of the dominant colonial society; see Olukoju 2000a: 192). This local class of business people helped with the planning of indigenous production, sourcing of commodities, and organizing the supply of indigenous market demand. In other words, these middlemen adjusted their activities so as to fill the business space that existed outside of colonial control with its concession agents and concession companies. On the small scale of localized production or exchange, management of indigenous black African and Muslim trading enterprises was simple. Basic functional diversification existed. Some produced foodstuffs as farmers. Others sourced ivory, gold, and other commodities for exchange. Others organized transport. The success of this entrepreneurial adaptation to European-induced market distortion is apparent in the overall strong economic growth in Africa during the colonial era (Killick 1981; Austen 1987, 2016; Collins and Burns 2007; Heldring and Robinson 2012; Prados de la Escosura 2011). Under conditions of economic growth, entrepreneurs built business entities that showcased efficient managerial capabilities: assessing market conditions, diversifying operations, and securing access to labor (primarily family) and capital (through accumulated savings). There is no shortage of cases of successful indigenous black African entrepreneurs under colonial rule. In Nigeria, the family-owned Dawodu automobile importing business was a notable entrepreneurial success by the 1920s. James George and Son established a general trading business in Nigeria. Another Nigerian success was the tailoring enterprise of Salami Agbaje, which diversified from clothing to transport, food, and entertainment. This outcome facilitated the second generation of Agbaje siblings to diversify further after 1950 (Olukoju 2002a, 2015; Oladipo 2012; Verhoef 2017). In East Africa, most notably Kenya, similar local businesses were typically smaller and largely confined to agricultural production and marketing. Coffee, tea, wattle bark, meat, tobacco, and sisal were supplied to the manufacturing enterprises of the BEAC. Meanwhile, Asian Indian Muslim trading families controlled both the export trade across the Indian Ocean and the wholesale trade, an outcome that caused animosity between local traders and the Asian Muslim traders from Gujarat who had been in that market for two to three generations. As an enduring feature of East African commercial life, this animosity continued to fester until the establishment of an independent Kenyan state (Kennedy 1988; Swainson 1980; Cowen 1972; Marris and Somerset 1971).

The colonial period closed without any fundamental digression from the centralized bureaucratic management paradigms in Africa, paradigms whose broad principles were accepted both by the colonial state and traditional enterprise. Irrespective of the adverse or positive assessment of colonial rule, African people from all the different ethnic, religious, or language groups did not have any meaningful participation in the government of their states/colonies. Nor did they have much say in the rules that governed economic life. Centralized management perpetuated a dualism – European rulers and accompanying society and diverse African social entities operating separate and relatively distinct socioeconomic institutions. This was clearly reflected in the management practices of small African business enterprises. Business organization was primarily built around the founder and his/her family or kinship. The “house” system (*wari*) of businessmen trading on behalf of the king/state was closer to a modern “firm” since business transactions were mainly concluded between such units rather than between individual buyers and sellers. This form of business organization fed into small firms during the colonial era, since the political power of the indigenous king was replaced by that of the colonial authority. The use of kinship networks to secure market access, gain knowledge about demand and supply, and reduce costs through information flows account for much of the success of such enterprises (Curtin 1984). In East Africa family enterprises constituted the backbone of private enterprise, a pattern that remained constant during the pre-colonial, colonial, and postcolonial eras. Despite being small entities, these local businesses displayed traits of the modern firm through their organization of information flows, market knowledge, sourcing of supplies, price levels, and costs. The size of these enterprises, however, limited the scope and sophistication of management capabilities acquired, compared to those of large cross-continental trading businesses. Consequently, during the decolonization period of the 1960s, there were comparatively few African enterprises which had expanded beyond the small business unit. Perhaps unsurprisingly, the expectation that prosperity would accompany political freedom after independence failed to materialize. Instead, the newly emerging political elites undertook what amounted to state capture of the commanding heights of the economy. As Mbaku observed: “They failed to constrain the state, providing ruling elites with opportunities to abuse their public mandates and engage in corruption, rent seeking and other forms of opportunism to enrich themselves at the expense of the rest of society” (Mbaku 2002: 213). In doing so, they undermined the institutional and organizational infrastructure of the indigenous black African entrepreneurial activities, limiting the potentially positive impact that organizations and institutions could have on future economic growth (Lamoreaux and Wallis 2017).

Indigenous black African and Indian entrepreneurs in South Africa also experienced similar restrictions to those experienced in other colonies on the continent. With the formation of the Union of South Africa in 1910, the new state introduced formalized racial separation. This restricted open market competition by confining people of color to designated geographical areas. Even prior to independence, this pattern of segregation was emphasized with the discovery of diamonds and gold in the last quarter of the nineteenth century, discoveries that effectively heralded an era of African development. In the mining towns, black African survival strategies gave rise to informal enterprises: trading in basic consumer goods, sewing, blacksmithing, transport with horse-drawn carts, domestic work, beadwork and basketmaking, etc. (Verhoef 2001; Copland 1982; Mayer 1961; Cobley 1990). Such activities grew in scale as urbanization gained momentum during the 1920s and 1930s. As wage labor expanded, women often took to informal entrepreneurial opportunities to sustain themselves outside the traditional sector. Opportunities were, however, limited by statutory racial segregation from the mid-1920s, a segregation that limited free access to markets. Similarly, access to land ownership was confined to the traditional communal land of the ethnic tribes (Native Land Act, No 27 of 1913). Residence in urban areas was confined to designated "native locations" (Native (Urban Areas) Act, No 2 of 1920) (South African Institute of Race Relations (SAIRR: n.d.). After World War II, restrictions became even more pronounced. Africans in urban areas were only permitted to engage in business activities in their designated areas (Native (Urban Areas) Consolidation Act, 1945). In economic terms, racial segregation constituted market intervention. Although this segregation restricted non-white business opportunities in the "European" sector, state policies also protected African entrepreneurs in their designated areas from competition by European and Indian businesses. As one official pronouncement declared, such protections were depicted as "one of the most important steps of economic development which goes hand in hand with the government's scheme of Native development" (SAIRR, B4/2: 1930). State policies in South Africa therefore facilitated business development, but in segregated geographies – a policy strongly opposed by urban African businessmen. From the 1930s, these businessmen organized themselves in African trading associations and in the 1960s established the National African Federated Chamber of Commerce and Industry (NAFCOC). Significantly, the state permitted such African business activism and indeed encouraged entrepreneurial conduct as fostering self-development. Certainly, the confined "township" (name of the urban locations of the African people) environment "nurtured" early entrepreneurs by prohibiting European or Indian businesses from operation in the African townships. African entrepreneurs engaged in milk and beverage trade, laundry services, transport, bicycle repairs, general trading, eating houses, etc. These businesses were small, owner-managed, and community-based. The difference between the South African context and the other African countries was that the state provided specialist assistance and funding to the entrepreneurs in designated African areas. Barred from operation in so-called white areas, black businesses competed both in urban and rural settings. In Johannesburg alone, the number of black businesses who were licensed to operate in its townships rose from 1137 to 11,460 between 1959 and 1969 (Mogotsi 1977). Many African businessmen accumulated great wealth and business acumen. When, finally, racial segregation was scrapped in the 1980s, they used this acumen to acquire powerful business empires. The Kunene family, the Maponya family, and the Tshabalala family are all examples of successful African business families who operated within the limitations of South Africa's system of racial segregation. The same was the case with Indian families such as the Mia family and the Dockrat family, both of whom successfully conducted their enterprises within the confines of designated Indian areas (Verhoef 2017).

Their power seemingly entrenched during the 1930s, the colonial administrations became an anachronism after World War II. The signing of the Atlantic Charter in 1942 toward the end of World War II not only signified the liberation of subjected peoples in Europe; it was similarly interpreted as the beginning of liberation for subjected African peoples from colonial control. For among the fundamental human rights which the Charter endorsed was the right to self-determination of peoples (Roberts 1998; Collins and Burns 2007; Van Aswegen 1980; Cooper 2002). Although colonialism did not grind to an abrupt halt in 1945, most British and French colonies were independent by the late 1960s. Where a colonial power attempted to defy the movement toward independence – as Portugal did in the case of Angola and Mozambique until a revolution in the metropolitan homeland in 1974 drew a close on the colonial era – it faced increasingly costly armed struggles. The reality of the new freedom, however, was the choice about the future: What political and constitutional models would be selected? What kind of economic system would be pursued? What must the institutional and organizational paradigm be?

At this conjecture in time developments in organizational and management thinking progressed beyond the scientific and bureaucratic management theories. The initial focus on the manager as decision-maker, the authority, and almost undisputed leader was supplemented by the growing perspective from the collective, the organization, or a wider stakeholder community in management. With decolonization and the dawning of independence and the complex intersection of centralized bureaucratic management by European colonial officials and expatriate businessmen, with rising African nationalist leaders in politics, economy, and society, Africans extended a challenge to existing management paradigms applied in Africa to colonies.

Into Its Own: African Management in Independent Africa

The expectation of independence was prosperity. The vision of independence was the modern state, the modern society with its modern quality of life (Cooper 2002). With a few exceptions, economic growth and improved standards of living evaded Africa. By the mid-1980s, Africa was caught in widespread poverty, crippling debt, and political instability. A complex convergence of factors contributed to this outcome. These factors include the previous economic policies of most colonial administrations, policies directed toward the extraction of commodities rather than the development of a diversified, inclusive economy. The colonial state also "managed" the colonies without integrating the colonized into an active, democratic citizenry. It was only toward the end of colonial rule that representative models of government found their way into the colonies. Many newly independent states fell into autocratic military dictatorships or one-party rule governments. After independence, the new political elite also insisted on centralized state control, but then in their hands. As the colonial state monopolized resource allocation and labor supplies, so did the newly independent states. Two macroeconomic models emerged, state capitalism and state socialism, or "Afro-Marxism," as Mbaka termed it (Mabaka 2002: 219). African states did not implement fully fledged socialism, except for Tanzania, where Nyerere enforced *ujamaa* in a one-party autocratic state. Neither was the Kenyan state capitalism a free market, but a state-captured capitalist market benefitting the ruling Kikuyu elite. Post-independence economic policy was described as "African socialism," but it was actually "managed capitalism." The state did not redistribute economic assets and opportunities through nationalization but through *Kenyanization.* That was local indigenization, favoring the ruling Kenya African National Union (KANU) political elite. The KANU-controlled state established SOEs, such as the Kenya Tea Development Authority, which controlled tea planation and distribution. The state controlled the "commanding heights" of the Kenyan economy – the power industry, the Kenya Commercial Bank, the Industrial Development Bank, the East African Oil Refinery, and the East African Portland Cement Company. By means of the Industrial and Commercial Development Commission (ICDC) and the Treasury directly, the Kenyan state secured participation in all major industries in the country (Leys 1975; Illife 1983; Killick 1981; Himbara 1994). Mbaka called these reforms "institutional reforms to 'decolonize' their economies..." which unfortunately "failed to enhance the development of indigenous capitalism" and which "stunted" indigenous entrepreneurship (Mbaka 2000: 218, 219). In both models the new independent African states resorted to nationalization of property, enterprise, and opportunity, which marginalized all capitalist business (Taylor 1992; Blunt and Jones 1992; Jackson 2004).

In the ideologically most committed socialist states, such as Ethiopia, Sudan, Tanzania, and Zambia, there was extensive expropriation (nationalization) in key sectors of the economy. The rationale of the Tanzanian state was "to ensure the proper management of the commanding heights of the economy: 'to transform the economy by articulating the principles of socialism and self-reliance'" (Msamichaka and Bagachwa 1984: 384). Autocratic political leaders were not accountable. Corruption spread, and social stratification widened the gap between rich and poor (World Bank 1991, 2000; Guest 2004; Verhoef 2017). Since the 1980s, the International Monetary Fund and the World Bank's international institutions' structural adjustment programs (SAP) have tried to overcome such endemic problems by tying loans and other forms of financial aid to the introduction of macroeconomic policies based on market-friendly policies. The demise of the Soviet Union in 1989, and the ending of its ideological (and often its financial and military) support for socialist economies in Africa, increased the vulnerability of many regimes. Any fundamental overhaul of state-controlled economies, however, required political leaders relinquishing power and allowing a private enterprise market conducive to business, something that many were loath to do. As liberal market reforms swept across global markets during the Thatcher and Reagan eras of the 1980s, many African states introduced market-friendly reforms, politically, economically, and socially. It is during this poststructural adjustment era of the last decade of the twentieth century and dawn of the twenty-first century that state policies increasingly incentivized private enterprise. The return to the market included privatization of the dominant postindependence state-owned sector. The postindependence era in Africa is therefore divided between the predominantly centrally planned state-controlled economic models and subsequent market reforms since the 1980s.

State and Firm: African Renaissance

Within the scope of two decades (1960s and 1970s), state-owned enterprises (SOEs) accounted for 17% of total GDP of African states. This is compared to a world average of around 10% and 5% in OECD countries. Some African countries were well below that level, such as Botswana, Liberia, and Sierra Leone. In Algeria net state flows to the SOEs amounted to 25% of GDP (Nellis 2005a; Hertog 2010). SOEs dominated economic activity: they accounted for 25% of all formal sector employment in all reporting African countries and more than 18% of nonagricultural employment, compared to 4% in OECD, 15% in Asia, 5.5% in Latin America, and 10% in North African countries reporting on SOE employment. It was estimated that SOEs in Africa contributed more than 20% to gross domestic investment in their economies, more than 14% of foreign debt, and more than 33% of domestic credit. In more than 75% of the francophone countries, SOEs dominated domestic sales (Nellis 2005b). The massive expansion of SOEs after independence contributed to the economic woes of Africa. General economic freedom was curtailed, entrepreneurship discouraged, and property rights undermined (Mbaku 2002). SOEs had a track record of persistent underperformance. From the 12 West African states, 62% of surveyed SOEs showed net losses, and 36% were in a financial state of negative worth (Bovet 1985; Nellis 1986). A 1985 survey of SOEs in 18 francophone countries showed that only 20% generated sufficient revenue to cover operating, depreciation, and financing costs. Another 20% of SOEs could only cover variable, depreciation, and finance costs. A further 20% could only cover operational costs. The bottom 20% failed to get close to covering any of its core costs (World Bank 1985). Generally poor performance of SOEs went hand in hand with inadequate governance practices (Nellis 1986; World Bank 2006; Bouri et al. 2010). The SOEs in the infrastructure sector were the worst performing SOEs. These malfunctioning SOEs had a spillover effect on the rest of the services sector, such a telephone line delivery, water supply, etc. Peter Drucker argued that the task of business is to create a customer, to innovate, and then to enhance productivity (Pearson 2012), but SOEs were not customer-facing. They were instruments of state power. These enterprises generally ran losses of a significant magnitude, secured low earnings, and thus delivered a heavy burden on already strained national budgets. SOEs were generally heavily overstaffed and suffered from consistent political interference, a weak human resource base, and an incompatibility of civil service bureaucratic procedures with commercial operations. A lack of experience in markets manifested in poor investment decisions by SOEs, under capitalization, below cost pricing, deficiencies in collection practices, poor reporting systems, and deficiencies in the composition and functioning of Boards of Directors. These deficiencies were management capability deficiencies. Put simply, "many African PEs (public enterprises) should simply never have been created" (Nellis 1986).

The development of enterprise management during the postindependence era suffered from the dominant state role and an associated distrust of private enterprise. Entrepreneurs soon realized that they could reduce risk and grow their business through aligning their business with the source of political power. The entrepreneur concentrated on exploiting economic opportunities and acquiring business opportunity (often through quasi-political means), not on running the organization efficiently. By prioritizing profit stream rather than profit margin, management directed resources toward optimizing business opportunities, volumes of deal flows, and expanding operations through "cultivating good relations and potential customers, creditors, and bureaucrats who control access to key resources" (Wariboko 2002). This client relationship between private enterprise and the independent African state encouraged firm expansion, not efficient firm performance.

The distrust of private enterprise and its ability to deliver on the promise of economic prosperity gave rise to a context of business unfriendly economic and industrial policies, systematically marginalizing private entrepreneurs or tying them in a clientele relationship to the state (Wariboko 2002; Verhoef 2017). In Ghana, President Nkrumah expanded the state sector in capital-intensive industries and state plantations in rubber, cotton, and sugar production. The surviving small privately owned enterprises built on capabilities in the general trading market. These businesses remained small, operated in exchange of agricultural crops, small-scale craft manufacturing (not industrial manufacturing of significance), and transport and construction sectors. In Nigeria the indigenization programs secured the transfer of ownership of enterprises to Nigerians. A lack of managerial capacity and capital finally convinced the state to allow foreign investment back into the country in the late 1970s. By 1986 Nigeria also undertook market reforms with the assistance of the international institutions' structural adjustment facilities. Latent entrepreneurial capabilities suppressed by a centralized corrupt postindependence state could take advantage of market-friendly opportunities. Big Nigerian-owned corporations, such as the Dangote cement conglomerate, succeeded in weathering the storms of political instability by maintained close ties to the sources of power in the Nigerian state. In contrast, the successful Ibru Organization sustained itself through the managerial and entrepreneurial capabilities acquired in the United African Company (UAC) and a legacy of a maternal trading family. The founder of the Ibru Organization, Michael Ibru, first worked for the British concession company UAC and subsequently invested his business skills acquired from UAC into the family trading company. This business diversified its activities to emerge as a multidivisional corporation by the 1990s – without alignment to the state. The Ibru family also had a tradition of women engaged in trade. This strengthened family entrepreneurial traits and supported business expansion independent of state alignment. In other West African postindependence markets, both Francophone and Anglophone, private enterprise, remained small scale. In East Africa, indigenization programs secured the transfer of enterprise to Kenyans and Ugandans. Once more, the significant state sector failed to secure economic growth and national prosperity. In Kenya, corporate capitalism thrived, but these businessmen were close to the ethnic seat of power. This sector was not protected from mismanagement. The small and informal sector still dominated business activities. Across East Africa, ethnic discrimination against Asian Indian citizens resulted in expulsions and business destruction. All the East African countries filed for assistance under the IMF and World Bank's international institutions' restructuring scheme at some stage during the 1980s. Central Africa was no different. Unlike many other states, Botswana followed an inclusive nonracial economic development policy. The state monopolized the mining, beef, and textile industries. By the 1980s, organized private business owners, labor, and the Botswana state arrived at a negotiated state-business relationship fostering state market-friendly policies. Mining and beef remained state monopolies, but in all other sectors, an open market was implemented. Botswana never needed structural adjustment, but sustained moderate growth (Verhoef 2017).

The "Africa Rising" paradigm emerged from the glimmer of hope as African economies commenced recovery from the deep and prolonged slump of the 1980s and 1990s. By the first decade of the twenty-first century, the NEPAD (New Partnership for Africa's Development) charter was accepted at the inaugural meeting of the African Union in Durban, December 2001. African leaders realized that Africa needed collaboration with the international community to address Africa's poverty. Suddenly African statesmen wanted to sponsor partnership between government and the private sector, a partnership in which the private sector would act as the "veritable engine of economic growth" and government as the provider of "infrastructure" and a favorable "macroeconomic environment" (NEPAD/AHG/235; Sec 23; Ojieda 2005; NEPAD 2015). African leaders admitted with growing frequency that, although the state retained an important role in socioeconomic development, it was also the case that the private sector had a funsdamental role in restoring Africa to "a place of dignity." All the elements of the institutional context underlying successful economic growth – institutions of individual freedom, property rights, rule of law, and security of democracy – found their way into the new discourse on reviving Africa's economy. Postindependence blaming of colonialism and a hostile world economic environment (Killick 1992) found another dimension of explanation in clientelism of the neo-patrimonialism discourse. According to this narrative, highly bureaucratic state apparatuses after independence facilitated the entrenchment of a patron-client relationship in Africa, favoring resource allocation to the loyal "clients" of state power. "Patrons" of the state developed a position of privilege, power, and protection which undermined governance and fostered corruption (Clapham 1985, 2002; Migdal 1998; Englebert 2000; Van de Walle 2005). The awakening of a sense of responsibility by African leaders for the economic and social destiny of the continent mandated the destruction of this system of neo-clientelism.

As the discourse shifted away from the postindependence "underdevelopment" paradigm, the "African Renaissance" dialogue assisted African leaders in admitting to the lack of state capacity and institutional quality. An important policy reform was privatization. The NEPAD Charter propagated a partnership between private enterprise and the state. Two models emerged: PPPs (Public-Private Partnerships) or full privatization. Privatization was managed with varying degrees of success (Nellis and Kikeri 1989). Nevertheless, by 2007, foreign direct investment into Africa rendered outstanding returns and oiled the wheels of privatization. Together with FDI went conditions: substantially improved governance of state and enterprise, market-friendly policies, security of property rights and democratic societies. These reforms mandated the systematic destruction of the neo-patrimonial state and the opening of society and the market to the dynamic energies of individual freedom and an associated drive to succeed (Englebert 2000).

The full impact of enterprise performance on the economic growth of African states became the stark reality of "Africa Rising." Having argued that slavery was the root cause of Africa's plight of poverty and slow economic growth, then placing it at the door of colonial exploitation, and subsequently pinning it down to the underdevelopment conspiracy, African leaders began in halting fashion to recognize their own agency in unlocking the full potential of entrepreneurial capacity in Africa. The evidence of entrepreneurial agency in capitalist economic activities in agriculture and trade in West Africa, and the smaller scale trading operations of generations of indigenous black African and Asian Muslim traders in East Africa, provided an adequate foundation for the confidence in Africa's capability to succeed in a market economy. There is no dearth of cases of successful African businessmen. There is also ample evidence of contextual constraints to the growth of small enterprises – through centralizing state monopolies, insufficient access to funding, lack of simultaneous industrial development policies, entrepreneurial incentives, and market protection to foster business development. Nevertheless, African business was not unprepared for the market. Small and medium enterprises have populated African markets since pre-colonial times. A smaller number of big corporations, having survived close to the source of political power, were able and prepared to take advantage of the market (Verhoef 2017). Illiffe (1983) had identified the deep-seated roots of African capitalism, soon to be supplemented by a new generation of African businessmen.

The Management Discourse: Collective or Strategic Performance Drive?

The dilemma of Africa is one of identity. Who are Africans? What is African? How does the continent account for its diverse people, cultures, and languages? Can a systematic inquiry into African management and business in all its diversity – emerging management philosophies, professional management strategies, western-style firms, informal business, and small- and medium-sized enterprises, – realistically have a single answer? The extensive literature on what "African management" may be, whether it exists as a coherent phenomenon and whether it encompasses management in Africa, present fundamental questions not addressed adequately in this literature. The current surge in the interest of what "African management" might be (Nzelibe 1986; Goldman 2013; Jackson 2004, 2013; Nkomo 2011; Van Rinsum and Boessenkool 2013; Mapunda 2013; Corbishley et al. 2013; Kan et al. 2015; George 2015; Achtenhagen and Brundin 2017) is motivated by the "unprecedented growth" in Africa since the early 2000s (Kan et al. 2015). Two considerations are prevalent. First, Africa needs sustained economic growth and therefore needs to follow international best practice in management of society and the economy (Marsden 1991; Perry 1997; Kuada 2006), a process that places emphasis on the business enterprise as a means of securing the sustained growth required to deliver on the NEPAD aim of alleviating poverty. Second, the multicultural diverse ethnic and linguistic nature of its population mandates managerial strategies harnessing the power of cross-cultural diversity in management. As a revisiting of the opportunity of markets dawned in Africa, the diversity of entrepreneurs and their enterprise is part of the new reality in Africa.

Distinct African?

Despite the increasing importance of corporate Africa – South Africa in particular being a base for well-known global firms such as Anglo-American, De Beers, BHP Billiton, and Woolworths – the informal sector and small- and medium-sized enterprises still dominate the business landscape in Africa (World Bank 2000). In Africa, entering the market in competition with entrepreneurs of diverse ethnic, linguistic, and cultural origins exposed business people to the cultures of conducting, organizing, and engaging with business competition. However, the discourse as to what is African management, what is the African philosophy of management, and what is indigenous management tends to be one-sided, focusing on the dominant ethnic groups to the exclusion of others. There is thus no literature on what Indian, Asian, Muslim, and Afrikaner management models, all integral to Africa for generations, might be. These constituent peoples of Africa all contribute to the rich diversity of management cultures of Africa, as vividly described by Gomes et al. (2013; Nkomo 2011; Honig 2016). This omission is more surprising considering the persistent emphasis on Africa's cultural diversity and complexity (Nyambegera 2002; Nkomo 2011; Kiggundu 1991; Kan et al. 2015). The discourse tends to reflect an "exclusion and expulsion" of something that is "not-African." The concept "African" was used as a metaphor, which, in the philosophy of Paul Ricoeur, acquired the power of "redescribing." In the postcolonial drive for establishing African authenticity, "African" served as a metaphor for "liberation." This "liberation" was from hegemonic Eurocentric science and technology, from hegemonic rationalist and instrumentalist organization theory, and from neoliberal market theory and commercial interests of global business – in any case, liberation from "Empire" and its global reach. This was an essentialist act to "create" an identity, an "authentic moment" which easily becomes an "invention of tradition" (Van Rinsum and Boessenkool 2013; Kan et al. 2015). In fact, as illustrated in the previous chapter, African merchants engaged extensively in capitalist markets, used acquired technology from European traders, developed their own international business networks, and organized their business in units resembling European firms. In East Africa, the Indian Muslim business communities have been instrumental in developing trade and commerce in the different independent states. In North Africa, Muslim entrepreneurs dominate commerce, and in Southern Africa, Indian businessmen and Afrikaners and different European cultural communities contribute to the economy of the region. A one-dimensional conceptualization of the people of Africa as indigenous black Africans adds to the poverty of the discourse on management in Africa. This is a fundamental flaw in management research. The question should be as follows: What are the diversity of management cultures in Africa and what are the dynamics of their interaction? How does the multicultural diversity of African entrepreneurs explain the development of Africa's economy?

What sparked the interest in the specific nature of indigenous black African entrepreneurs and management is the lack of systematic research into the nature and application of management approaches by indigenous black African entrepreneurs (Jackson 2004, 2013; Goldman 2013; George 2015; George et al. 2016; Kan et al. 2015). As international development agencies and multinational corporations engage more with business partners in Africa, a certain type of disconnect emerged. Africa needed institution building, leadership empowerment, and business development, but it assumed an understanding of how indigenous black African businesses were organized and managed. An understanding of so-called indigenous management factors was a prerequisite for successful business integration and international exchange (Dia 1990, 1996; Wohlgemuth et al. 1998).

As post-adjustment indigenous black African-owned enterprises entered into business with non-African business in the domestic market, with other enterprises in neighboring markets in Africa, or in the global environment with multinational corporations, it became apparent that the nature and culture of "African management" was vague or not understood. A literature emerged on what constitutes "African management." The context was indigenous black Africans repositioning themselves in the global environment. The awakening of and mobilization of opposition against colonial control early in the twentieth century, black intellectuals such as Edward Blyden and William du Bois, propagated Pan-Africanism. As the rejection of western intellectual domination mounted after World War II, African leaders propagated the concept of *Negritude*, a conscious movement to reevaluate African cultural values. When *Negritude* failed to solicit all-African support for being too closely articulated in a western conceptual framework, new ideologies developed around *Uhuru* (liberation and nation-building), *ujamaa* (African socialism) and *ubuntu* (African humanism), and the *African Renaissance*, popularized during the 1990s. Although not a new concept, *Ubuntu* was revived by Bishop Desmond Tutu, to give new theological content to the concept. The resurgence of the African mobilization concepts since the 1990s coincided with the structural adjustment of weak African economies and the rise of private enterprise. This was the context of the indigenous black African reappraisal of African identity as mobilizing dynamism toward economic reconstruction. As African leaders accepted their responsibility to grow Africa's economy, as articulated in the NEPAD Charter, the redemption of the concept of a distinct "African management" identity, underpinned by a distinct "African thought" and inherent African values embedded in *ubuntu*, proved to be a strategic tool to revive entrepreneurial agency so profoundly marginalized under colonial and postindependence heavy statism. A fundamental paradigm shift in policy and organizational change often met with opposition, since it was perceived as a threat to the influence and power of the new ruling class (Blunt and Jones 1992). Effecting organizational change within African organizations (state and private) was premised on defining what "African" is – African thought, organizations, culture, etc. Kan et al. describe "African management" as "an object of ideological posture of which ideal types of management styles can be distinguished... (which) is purposely mobilised in the literature on 'African management' as an essential tool for emancipation and resistance attitude" (Kan et al. 2015: 268). The systematic literature on "African management" as a distinct model of management has well-articulated agendas of positioning "African management" beyond the previously legitimized universal management knowledge (Nkomo 2015) and reveals the denied identity of the management of African organizations. This literature does not seek to place management research in Africa in the new context of Africa but to develop an "African management theory" of African organization, an Afrocentric knowledge of African organizations (Bamberger 2008; Lutz 2009; Holtbrügge 2013). No sufficiently coherent scholarly academic research on "African management" has yet been produced (Nkomo 2015).

The reinvention of "African management" resulted in extensive literature on the nature, underlying values, and complex diversity of the phenomenon. Central to "African management" were concepts such as ethnocentrism, traditionalism, communalism, and cooperative teamwork. The discourse positioned these elements as opposites to "western management," which was purported to promote Eurocentrism, individualism, and modernity (Nzelibe 1986). Embeddedness in African customs, beliefs, and practices is assumed to regulate every individual's conduct. Management practices are presented as recognizing the family as the "basic unit of socialization." An integrated existence between members of the family and nature exists, which brings the connection to the ancestry. This integrated nature of family is considered to underpin human communication in African organizations. For management in Africa, this means unity between the spiritual and material, of which the unified phenomenon moves in grand unity. This delivers the notion of "communalism" or communal sociability, which is the communality between the family as fundamental socializing unit and the tribe/clan, as the basic socializing unit. Communal sociability is the harmonization between different institutional levels in African society. This notion brought to African management thought the idea of the communality of persons' culture outside the organization with their position inside the organization (Kan et al. 2015). The notion of consultation is deemed to evolve from the tribal chief's decision-making process: "decisions were not made but they seemed to emerge. Elders did not take unilateral decision without informally consulting with other members in the society..." (Mbaku 2002). A strong emphasis is placed on the nexus between societal values and the operation of the organization, which suggests adherence to collective and communal conduct. These traits are also identified in informal mutual self-help social entities. The reference to "insider knowledge" as one dimension of the meaning of "indigenous" (Marsden 1991), the analysis of "African management" as a distinct concept, integrates the specific cultural elements outlined above (Nzelibe 1986; Kiggundu 1988; Barrat Brown 1995; Wild 1997; Safavi and Tweddell 2007; Jackson et al. 2008).

What transpires is an extensive literature on African thought and social organization, which has been extended into the organizational context as essentially part of the African renaissance paradigm of revitalizing Africa. Kan et al. (2015) interpret the main body of literature on "African management" as essentially "an act of resistance to the dominant literature in management. The African system of thought is mobilised as a means of (re) appropriation of African authenticity" (p. 260). This interpretation dovetails with Tony O Elumelu, the Nigerian banker's idea of an African capitalism, called *Africapitalism*. *Africapitalism* is advocated to promote African economic development through investment that generates prosperity and social wealth (Amaeshi 2013a, b; Elumelo 2015; Akinyoade et al. 2017). The explanation for the limited success of African business organizations concerned African scholars, who expressed discontent with the rationalist and functionalist conceptions of business in Africa. It was argued that the western conceptions of African business organizations fail to understand the indigenousness of such organization. Jackson (2013) unpacked "indigenousness and endogenous" as concepts explaining the knowledge from within the specific society, "a function of place and context, of collective values" (p. 22) – in this case the African society. The alternative conception considered to be better suited to the nature of African society and business is the humanist and cultural conception, which considers a distinctive African culture or identity underpinning African organizations (Jackson 2013; Mapunda 2013; Walsh 2015; Zoogah et al. 2015). The discourse on "African management" is essentially about the nature of African culture, society, and organizations from within the "indigenous" knowledge base, which Kane et al. describe as "part of a general reasoning having a dual objective: emancipation and resistance to domination of the Western world through Western management precepts" (Kan et al. 2015: 264). Promoting a fundamental understanding of the nature of African culture, as manifested in society and organization, and resembling the antithesis between "South" and "North," African renaissance management wants to place more emphasis on the human dimension of the organization, the "stakeholders," thus reconnecting with African culture. Culture emanates from outside the organization, but the people working in the organization bring that culture into the organization, and therefore in Africa, the management model is expected to reflect that "culture." A cognitive dilemma is that Africa is ethnically diverse and harbors multiple cultures and more than 1000 languages (Verhoef 2017).

Concept and Ideology

The recent engagement with conceptualizing "African management" gave rise to a reappraisal of concepts considered to be at the core of "African culture." The one concept central to the African renaissance is "Ubuntu." The extensive engagement with conceptualizing *ubuntu* as an Afrocentric concept has been part of the post-colonial search for African identity (Bernstein 2002; Lutz 2009; West 2014; Kan et al. 2015). *Ubuntu* is presented as a specific form of African humanism, which emphasizes the individual as a moral being, an African world view or a collective consciousness of the people of Africa. *Ubuntu* was presented as unique authentic African values of humanness, respect, caring, sharing, social justice, righteousness, care, empathy for others, and compassion. Most scholars explain *Ubuntu* as a communitarian ethic, articulated as *umuntu ngumuntu ngabantu* (*Nguni indigenous* *language*) – which can be translated as "I am, because we are; and since we are, therefore I am." This communitarian ethic is inclusive and expressed in solidarity, compassion, and sacrifice. These "values" are presented to constitute the essence of the African community, expressed in reciprocity, dignity, harmony, and humanity in building and maintaining community (Mbiti 1989; Mbigi 1997; Kamwangamalu 1999; Karsten and Illa 2005; Prinsloo 2000; Mbigi and Maree 2005; Schutte 2001; Broodryk 2005, 2006; Nussbaum 2009; Lutz 2009; West 2014). These notions are presented as characteristic of sub-Saharan societies as distinct from underlying western values and business philosophy. The constituent Ubuntu concepts are submitted to offer a unique African concept of behavior, applied to different spheres of human conduct, such as the legal sphere, education, nursing, government, and business management. The notion of communalism holds a potential contradiction with individualism and self-preservation, which has implications for entrepreneurial self-driven ambition and vision, but Mbigi (1997) considers *ubuntu* a dynamic spiritual/religious experience or spirituality, which does not rule out "an individual existence of the self and the simultaneous existence for others" (Schutte 2001). Thus the hallmark of *Ubuntu* is submitted to "be a good community member. It is also about living and enjoying life rather than the acquisition of the material creature comfort of life" (Mbigi and Maree 2005).

Despite the widespread acceptance of *ubuntu* as a distinctly African concept, it lacks systematic scientifically reconstructed content, based on systematic empirical research (Bernstein 2002; Metz 2007, 2009; Luts 2009; West 2014; Kan et al. 2015). No research confirms actual universality or consensus in Africa on analytical content or application of a preference for collectivism as opposed to individualism. In actual fact, Hofstede found in his systematic international cross-cultural survey of employees of the computer company, IBM, in 53 countries, a distinct lack of preference for collective conduct in Africa. Hofstede revealed an affinity among his African participants for a loosely knit social framework and a higher degree of interdependence. Choosing individualism (or "I") on a scale of 1–100, with 100 being highly individualistic, as opposed to interdependence (or "we") being rated close to naught, employees in East Africa and West Africa scored 27 and 20 (with the mean of the study lying at 43) and employees in the USA at 91 and Australia at 90. This outcome seemed to refute the inherent alignment of African people to communalism (Hofstede 2001; West 2014). The results for South Africa were 65, but West (2014) considered them to be unreliable, since the study was conducted while South Africa was still under a white-controlled national government applying policies of racial segregation. Accordingly, Thomas and Bendixen repeated the Hofstede investigation by surveying 586 South African middle managers a decade after the nation's holding of its first democratic elections in 1990. The result was a score of 81 by South African middle managers on the Individualism-Collectivism scale used by the Thomas and Bendixen study, a result that confirmed a stronger alignment to individualism in South Africa by both white and African people. White Afrikaans-speaking managers scored 77, Sotho managers 79, Xhosa managers 78, Zulu managers 83 [the last three categories are African managers], and English-speaking managers 88. These results revealed the notion of African people being less individualistic and white people more individualistic, as an unfounded simplistic generalization (Thomas and Bendixen 2000). This conclusion was substantiated by the Trompenaars and Hampden (1997) survey of company managers. On a wider geographical scale, Noorderhaven and Tidjani (2001) confirmed the complexity of cultural notions of communalism, social responsibility, human goodness, and sharing among African peoples in 12 sub-Saharan countries, compared to the UK and the USA. On these four dimensions of culture, aligned to elements of *ubuntu*, African countries (Ghana, Cameroon, Senegal, Tanzania, and Zimbabwe) scored less than 50 on the scale of "human goodness," while South Africa, the UK, and the USA scored higher than 76. On the notion of "sharing," the USA and Zimbabwe scored 45, as opposed to higher score of 62 and above by managers in Ghana, Cameroon, Senegal, and Tanzania. On collectivism the highest scores were achieved by managers in Cameroon, Ghana, Tanzania, Zimbabwe, and the UK, while Senegal and the USA had the lowest scores. Finally on the notion of societal responsibility, the lowest score was achieved by managers from Tanzania and Zimbabwe, while the highest scores were posted by managers from Cameroon, Ghana, Senegal, South Africa, the UK, and the USA (Noorderhaven and Tidjani 2001). These studies confirm the complexity and diversity of alignment with notions of collectivism, social responsibility, and other notions aligned to key elements of *ubuntu*. These studies refute the notion of an exclusive African concern for the collective or a lack of individualism among African managers. The fluidity of managerial traits seems to align more to the nature of the business context in which they operate than to ethnic cultural distinctions.

The most extensive body of literature on the concept *ubuntu* emerged from South Africa, as a supposed tool toward demographic transformation in the economy, specifically in business management. Van Binsbergen (2001) describes *ubuntu* as a utopian and prophetic philosophy, an "exhortative instrument," and a "tool for transformation in the context of globalisation" (Van Binsbergen 2001: 73). He argues: "Ubuntu offers the appearance of an ancestral model to (those who fought to attain majority rule) that is credible and with which they can identify, regardless of whether these urban, globalised people still observe ancestral codes of conduct- of course in most respects they do not, regardless of whether the ancestral codes are rendered correctly (often they are not)." Bernstein (2002) also argues that "the rediscovery of African values and culture is largely an elite reinterpretation of residues of what used to be… the fashionable celebration of Ubuntu is intended more for white consumption or to display a badge of (Africanist?) honour than as sincere moral reconstruction" (Bernstein 2002: 210). The skepticism is echoed by Chen (2014) and Kragh (2012), who question the idealism with which the concept is presented as only the positive aspects of African social norms. The dilemma for management research is that the literature on *ubuntu* remains anecdotal. In the absence of any systematic empirical research, the utility as a distinctive concept in African management is seriously constrained. Scholars have refuted the attempt to present *ubuntu* as a uniquely African idea of "humanness," a sense of social connectedness of individuals to society and fellow humans, exclusive to African societies. The notion of interpersonal relationships embedded in a moral philosophy, Metz (2007, 2009) argued, has its foundations in traditional European normative theories. Aristotle developed the idea of self-realization and of interpersonal relationships as supplementary and noncontradictory. Applying the ancient and medieval moral philosophy of "the common good is my good" allows a wider understanding of human universalism which confirms shared rather than contradictory normative values in western civilization (Lutz 2009; Kan et al. 2014; West 2014). The studies on *ubuntu* outside South Africa illustrated that the concept was not widely held, thus undermining the claim to its general depiction of a typical African value and therefore fundamental element of a distinct "African management" model.

Conclusion: Organization and Business in Africa

The reality of management in Africa is that western management thought penetrated business practice systematically as scholars joined business schools in the UK and the USA (Kamoche 2011; Perry 1997; Kuada 2006). Since the IMF's structural adjustment programs opened market opportunities to entrepreneurs, private business has expanded. Although privatization programs were slow and often incomplete, they nevertheless offered the "dormant" African entrepreneur access to business opportunities – for which some were remarkably well prepared. In East Africa well-capitalized and well-managed family businesses, often with generations of entrepreneurial experience, were able to acquire loss-making SOEs. In a short period of time, such businesses were restructured, business operations diversified, and operations extended into neighboring markets (White and Bhatia 1998; Sutton and Kelow 2010; Suttton and Kapenty 2012; Sutton and Olomi 2012; Sutton and Langmead 2013; Sutton 2014). Within a short time, business organizations resembling the western firm, or corporation, characterized the emerging African economies. Two elements marked these enterprises: firm bureaucratic control from the center by the patriarch or head of the family (or by the new entrepreneur) and individual ownership. Many emerging poststructural adjustment businesses perpetuated firm structures built around patterns of pre-colonial kinship or family connections. Although the family structure epitomizes the *ubuntu* principle of collective benefit, it was nevertheless the case that sustainability of enterprises mandated adherence to market requirements, such as capital efficiency, productivity, operational efficiency, and profitability. Not one of the diversified conglomerates in Africa (excluding South Africa) is a public-listed company. In each conglomerate, the first- and/or second-generation family managers benefit from the next generation being educated in the USA or the UK, plowing back western management principles and expertise into the firm. A number of these conglomerates now dominate their chosen markets not only within their own country but across entire African regions. Here consideration can be given to the Trade Kings, a Zambian conglomerate owned by the Patel family, a firm, which during the 1990s merged its cotton ginnery operations with those of the Kenyan-based cotton businesses of Munir Zaveri, whose grandfather had settled in Kenya during the nineteenth century. The Unity Group of companies, owned by Manu Shah, also developed from humble trading operations, having been started by the current owner's Gujarat-born grandfather, an entrepreneur who arrived in Kenya in the late 1890s. Originally confined to Kenya, the Shah family business interests have recently extended into Tanzania. In each family enterprise, the second or third generation acquired business education outside Africa to benefit the business. Similar examples of firms that have witnessed a restructuring of long-established family business along modern management and business principles are found in the Mohan Kothari Group of companies in Ethiopia, the Azam Group of companies owned by the Bakhresa family in Tanzania, the MeTL Group owned by the Dewji family (operating in Tanzania as well as in most other SADC countries), the Madhvani Group in Uganda, the Sawiris family of the Egyptian Orascom Group (some of the companies in the Orascom Group are listed on the Egyptian Stock exchange), the Comcraft Group in Kenya owned by the Chadaria family, and the Dangote Group in Nigeria (Verhoef 2017). New African global conglomerates (operating outside Africa) include the Craft Silicon Group and the Mara Group.

The successful operation of conglomerates such as those mentioned above, as well as the dominant small- and medium-sized enterprises across the continent, occurs typically within the paradigm of modern management thought. The *ubuntu* discourse, by contrast, is an ideologically motivated "rewriting of Africa" discourse, which only impacts on modern management through the existing organizational development (OD) thinking in management theory (Hellriegel and Slocum 1985; Wren 2005; Wren and Bedian 2009; Shafitz et al. 2005). In truth, private enterprise in Africa has benefitted from more market-friendly business policies as well as from the example of successful businesses across the African continent. The management model was not something distinctly African but aligned to the development in international management theory. Indeed, management thought in Africa has progressed systematically since the mid-1950s. The only contribution of the concept of *ubuntu* to this development is through its emphasis on African cultural diversity. As Kamoche noted, "Any scholarly quest for a distinctive 'African' management style is almost always going to be futile." The cultural, linguistic, and leadership styles are simply too diverse across the continent (Kamoche 2011). The *ubuntu* discourse highlights the dimension of African culture, but cannot offer a single comprehensive view of "African culture," since it does not exist. African culture is diverse, complex, and contextually determined. The contribution to OD theory is therefore to sensitize management to contextual complexity.

The literature on *ubuntu* is essentially propagating a frame of thought, but, as argued, fails to present a concrete and distinct system of management. Nkomo (2015) admits to the inability of the proponents of "African management" to construct a coherent body of knowledge on the subject. Elumelu's *Africapitalism* and Eze's call for the revitalization or reinterpretation of "*Ubuntu* as a moral ideal for a new age" (Eze 2010) are similar expressions of a desire for a future dispensation. Zoogah et al. (2015) propose a framework to explain the effectiveness of African organizations, but unfortunately there is no case of an *ubuntu*-managed enterprise in Africa that can be tested against the performance of non-*ubuntu*-managed enterprises. Nkomo also appeals for an assessment of the impact of "indigenous African knowledge transfer" on operations of multinational corporations in Africa. She nevertheless admits that there is an illusion of cultural uniqueness in the rhetoric on "African management" (Nkomo 2011). Again, what this "indigenous knowledge" is and how it is transferred is still to be established. How then can this system of management be identified and studied systematically? The tentative nature of the "African management" model remains vague, thus inhibiting systematic scrutiny, assessment, and comparison. This literature seeks to achieve a form of "Africanization" of management to enhance organizational efficiency. In a multicultural context, this appeal is directed at achieving four outcomes: greater equity among employees, higher productivity, strong loyalty to the organization, and improved organizational citizenship (Kan et al. 2015). These outcomes (proposed in the study of McFarlin et al. 1999) are all encompassed in the Hawthorne effect in management enabling people to achieve their full potential as fulfilled employees, by considering the human side of the enterprise of equal strategic importance.

The dilemma of the "African management" narrative lies in the ideological nature of the discourse. Kan et al. (2015) offer a concise position. They argue that the research on "African management" can be separated into three different intellectual postures: "convergence, divergence, and crossvergence." On the one hand, the proponents resist convergence of cultural values that may be affected through managerial action. The insistence on a distinct "African management" model based on the "unique" concept of *ubuntu* leaves a point between divergence and crossvergence. By insisting on the filter of "African thought systems" to conceptualize organizations, the proponents admit to the contextual nature of organizational processes. This is clearly a "rewriting" exercise, pursuing an "ideal type of the African renaissance management" – albeit it being "not sufficiently abundant to form a coherent body of knowledge" (Kan et al. 2015: 272; Kamoche 2011). In seeking to "rewrite" or revitalize "African management" in practice, this work is tentative – the "hybridization" of management systems and the development of concepts of crossvergence have been developed in management research in Hong Kong, but not yet to any significant degree in Africa (Jackson 2004: 30; Kuada 2006). The "African management"/*ubuntu* discourse fails to contribute to the identification of an authentic African management model. It has rather become an aspect of OD's focus on cross-cultural perspectives on management (Bendixen and Burger 1998).

The rise of indigenous black African persons to positions of leadership and management, e.g., under conditions of indigenization programs (such as statutory enforced Black Economic Empowerment (BEE) in South Africa – Verhoef 2017; Taylor 2002), or through entrepreneurial ingenuity, as displayed in the rise of African-owned conglomerates mentioned above, occurred in the form of the modern firm. Emerging from business schools in South Africa, the UK, and the USA, the new managers and leaders run enterprises to achieve optimal efficiency and profitability as socially responsible enterprises, having to report on the triple bottom line: financial sustainability, environmental sustainability, and social sustainability/responsibility (Witzel 2012). Indigenization policies were implemented widely across Africa in the postindependence states, but with checkered success. These policies must not be confused with the discourse on "African management." These policies were about the transfer of ownership of private business assets from so-called expatriates to the indigenous population, irrespective of the business acumen or management capability of the recipient. In South Africa, the state intervened in the market on the justification of correcting "historical" legacies of discrimination. The BEE program encompasses extensive statutory sanctioned transfer of ownership and control of sectors of the economy, and thus of individual businesses within the sectors, to black people (black people are defined as indigenous African black persons, colored persons, and Indian persons). The state mandated the "negotiation" of so-called Sectoral Charters between white owners and black persons, for the transfer of ownership and control of specified portions of the sector within a specified timeframe. To supplement ownership and control, employment of persons of the dedicated demographic groups is statutorily mandated. Furthermore, non-compliance with the BEE requirements excluded enterprises from doing business with the state. Statutorily sanctioned procurement policies are BEE aligned (Verhoef 2017; DTI 2003; Empowerdex 2012). The visible profile of black persons in management, ownership, and control of business across the board in South Africa, as well as in the composition of the employee profile, impacted primarily on human resource management thinking. In the context of the organization, in South Africa, as well as in all other African business contexts, OD is deeply grounded in cross-cultural dynamics. In South Africa, statutory sanctioning forced business enterprise to address those dynamics over a very short period of time, while the experience in other African countries was more delayed and linked to the dynamics in multinational corporations. MNCs were largely expelled from independent Africa, with few exceptions, but returned to the African market after structural adjustment and the dawn of market-oriented state policies. The phenomenon of multiculturalism poses complex challenges to management. These challenges are not addressed by perpetuating the earlier "colonial/indigenous" binary divide of the colonial era through insisting on a distinct "African management" model. Bendixen and Burger (1998) found that the market-oriented management model is the only management model positively correlated to organizational effectiveness (Bendixen and Burger 1998). The emerging management model in Africa is indeed aligned to those of successful western corporations, but must consciously address organizational diversity. Fundamental dissimilarity in value priorities of the societies encapsulating them is not limited to Africa but is a universal phenomenon. The resource-based perspective on management, which is fundamental to organization theory, mandates dealing with diversity, irrespective of the source of the diversity – race, creed, culture, or language. This is the constructive discourse on management in Africa.

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Managing Africa's Strongest Economy: The History of Management in South Africa, 1920–2018

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Grietjie Verhoef

Contents

Abstract

Business development follows successful entrepreneurs and managers. This chapter explains the trajectory of management development in South Africa as it supported the growth of the only modern industrial economy in Africa. Education in commerce and accounting branched out to dedicated management education after the Second World War. The symbiosis between business and institutions of education developed along the domestic sociopolitical contours of racial segregation. The basis of management development was and still is grounded in sustained alignment with European and American scientific models of best practice in management. The history of management in South Africa is explored to account for the distinct position of internationally recognised leadership of the locally trained management corps and executive leadership.

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Periphery at the Center

The territories at the southern tip of Africa were inextricably linked to the British Empire by the 1800s, through both enterprise and conquest. The modern business organisation came to Africa through capitalist enterprises developing commerce, mining, and manufacturing in the last half of the seventeenth century. The first global multinational enterprise, the Dutch East India Company, established the refreshment station at the Cape of Good Hope in 1652. Subsequently, Dutch and British colonial rule opened opportunities for extensive commercial exchange between the colonial economies and the European metropolis. Small owner-managed firms in food processing, clothing manufacturing, transport, and general retail trade soon expanded into well-capitalized companies able to operate in the large-scale mining and manufacturing sectors. The mineral discoveries of the late nineteenth century transformed the primarily agricultural and small mining operations in the Cape and Natal colonies and the *Zuid-Afrikaansche Republiek (ZAR)* and the *Oranje Vrijstaat (OVS)* into capital-intensive enterprises capable of supporting the rapidly growing economies. Big well-capitalized, imperial banks entered the colonies of southern Africa during the last half of the nineteenth century to replace the small unit banks scattered across the colonial landscape. The capital needs of the mining-driven economy mandated access to substantial capital resources. The imperial banks, the Standard Bank, the African Banking Corporation, the Oriental Banking Corporation, and, after 1926, Barclays Bank DCO (which acquired the National Bank, which had operated in the ZAR since 1888) and the Dutch *Nederlandsche Bank voor Zuid-Afrika* (later Nedbank), laid the foundation of the financial spine of the South African economy. Together with an extensive network of long-term and short-term insurance companies, building societies and savings banks, South Africa benefitted from the depth of the western management tradition at the heart of capital provision for a modern economy (Solomon 1982; Webb 1992; Verhoef 2013b; Hagedorn-Hansen 2017). Mining houses soon organised their own finance houses, adding to the emergence of a sophisticated financial services industry. By the time of the establishment of the Johannesburg Stock Exchange in 1887, three other equity exchanges had already entered the equity exchange business to capitalize new enterprise (Lukasiewicz 2018). Business and finance almost immediately attracted accountants, who added to the knowledge base establishing the foundation of business management in South Africa (Verhoef and Van Vuuren 2012; Verhoef 2013a, 2014).

Firmly grounded in the western tradition of market exchanges and enterprise, the South African economy developed as an industrial economy from the late nineteenth century. It relied on the managerial expertise of internationally linked businesses, investing in the local market, and local entrepreneurs linked to foreign capital markets. Business operated on the periphery of western capitalist economies of Britain, America, and Europe. From the seventeenth century, market integration remained the life blood of the most diversified industrial economy in Africa. The "periphery" sustained direct connections to the western center, from where managerial knowledge flowed (Kipping et al. 2008). A primary economy embedded in agriculture and mining by the eighteenth century, the consolidated South African economy since 1910 displayed remarkable resilience in sustaining levels of growth and diversification surpassing that found anywhere else in the entire African continent. This chapter explores the development of management in South Africa, as the settler economy transitioned from a primary economy to a diversified industrial economy. The central argument is that management in South Africa was moulded by embeddedness of business in western market relations. This accounts for the nation's successful economic modernization and industrialization. In 1912 agriculture contributed 17% to national income, mining 27%, manufacturing 7%, and commerce 13.5%. Structural change occurred slowly as the domestic industrialization policies of the 1930s supported the development of domestic industries. By 1990, however, agriculture contributed less than 6% to gross domestic product, mining 12%, manufacturing 25%, commerce 13%, and finance 13% (SARB Quarterly Statistical Bulletins 1920–1990). The most advanced modern economy in Africa developed in a liberal open market, directed by state policies of inward-looking industrialization and export promotion. Private enterprise and entrepreneurial opportunity were rooted in the notion of the firm, the entrepreneur, and the market. As the economy diversified, the domestic market developed specialist professional and managerial capabilities, or imported expertise from shareholder markets. These capabilities developed the capacity to support and direct the growth of the local economy. Despite international political adversity, the South African economy maintained business and managerial networks linked to the international economy (Verhoef 2011).

The purpose of the chapter is to develop the first systematic historical explanation of the development of management in South Africa. Management is a function of business, enterprise, society, and economic agency. This development in South Africa constitutes the contours of building managerial capabilities to support business and industry in the making of a modern economy in Africa. This chapter will show how management evolved in the political economy of South Africa.

Entrepreneurial Opportunity: Family, Nationalism, and Global Networks

Long before management education entered the academic education sphere during the mid-twentieth century (Amdam 1996: 2; Brown et al. 1996: 155; Byrkjeflot 2000), successful enterprises in the southern territories of what later became South Africa operated business endeavours in agriculture, finance, trade, mining, and general commerce. The multicultural heritage of the society, in which it drew people and ideas from Britain, the Netherlands, Germany, France, and other British colonies such as Australia, New Zealand, and India, fostered powerful traditions of entrepreneurship. The source of entrepreneurship, management knowledge, and business culture was ethnic, cultural, and personal (Casson 2003: 224). Black African participation in commerce and formal business activity in the organisational form of individual enterprise was nonexistent. Where market exchanges did occur in traditional African communities, the activity required the sanction of an authoritarian monarch, ruling a centralized inherited kingdom. Such exchanges occurred primarily through barter, mostly in the form of natural resources and animal products such as ivory, hides, and skins and, to a very limited extent, surplus food. This barter-based exchange secured access to manufactured goods from European traders. Monetary revenue was also extracted from migrant labour (Wilson and Thompson 1971; Muller 1977). Among the various European ethnic groups, Jewish and English-speaking businessmen were prominent in creating a culture of business, enabling them to forge a dominant place in the commerce and trade of South Africa by the early twentieth century. There was thus no singular business culture, but rather one moulded through the ethnic cultural diversity of the immigrant population. Nevertheless, the migration of Jewish immigrants from central Europe at the end of the nineteenth century, as well as British and European immigrants, injected an entrepreneurial gene pool into the predominantly rural and agricultural Dutch communities. Grooming of management occurred in the family, at the dinner table, through more distant family ties linked through long-standing business relationships. In the South African society of settlers, nationalists, and capitalists, the emerging traditions of nineteenth-century business management relied heavily on the personal traits of the entrepreneur, his connections to family and/or friends, and state policies. In the Cape Colony, the first organised business association was formed in 1822, followed in 1881 by the Cape Chamber of Commerce and subsequently by similar chambers of commerce in Port Elizabeth, Graaff-Reinet, and East London (Davenport and Saunders 2000: 101–103, 104–113, 273, 294; Giliomee and Mbenga 2007: 118–119; Houghton 1976: 4–7; Robinson et al. 1961: 8–9). Statutory regulation of limited liability enterprise also found its first manifestation in the British colonies – in the Natal Colony by means of the *Natal Joint Stock Companies Limited Liability Law of 1864* and the *Cape Colony in the Cape Companies' and Trustees Act of 1973* and the *Cape Companies Act 1892* (Verhoef 2014). The regulation of private business followed the pattern of British joint stock company laws, on which the Cape statute was modelled. This was the model until the first South African Companies Act was passed in 1926. Subsequently, English mercantile law formed the basis of company law in South Africa. An environment favouring business development was further stimulated by the strong presence of accountants of British origin, who organised themselves into societies of professional closure (Verhoef 2013a, 2014).

It was ultimately businessmen of British origin, who dominated, but not exclusively controlled, the corporate landscape of the early twentieth century. The founding fathers of the Johannesburg Exchange and Chambers Company Limited in February 1887 were London-born Benjamin Minors Woollan as chairman, Dr. T.-G. Lawrence, James Lang, Frederick Gray, James B. Taylor, J.L. Bussey, and

T.P. O'Meara (Rosenthal 1912: 71). A number of German Jews and Afrikaners also joined as members of the exchange, but British domination remained a feature of its membership for most of the first half of the twentieth century. It was also the English-dominated manufacturing lobby that called for tariff protection to support domestic industrial development. By the 1930s, English and Jewish capital dominated mining, secondary manufacturing, trade, and finance. The grooming of managerial expertise occurred internally in the family or the organisation – from the dinner table, through the *shul*, to the shareholders' meeting and the board room. As has been the history of the emerging of management in Europe and the United States, managers came from within. "Within" refers to the family or kin network of the enterprise where a position of leadership was earned through experience and the acquisition of the core knowledge base of the enterprise and the industry (Byrkjeflot 2000: 5–7, 40–42; Baba 2018). Firmly within the English tradition of grooming the business elite, young successors to business leadership either went through the school of the former generation or studied toward a professional career as accountant, engineer, or lawyer, before joining the corporation. The British education system, from which many South African English-speaking business families came, was still based on the notion of the "gentlemanly ideal" sculptured on the preference for the liberal arts in educating their elite (Locke 1989: 58–99). When, therefore, mining corporations such as the Anglo American Corporation, Gold Fields of South Africa, Anglo Vaal Corporation, and Barlow Rand developed into diversified mining enterprises – operating in gold, coal, other minerals and metals, and the secondary processing of ores – their managerial elites were invariably educated in this British tradition. The financial sector was also under foreign control. The dominant banks, the Standard Bank and Barclays Bank, were incorporated in Britain, while the Netherlands Bank of South Africa was majority owned in the Netherlands.

After the First World War, the Union of South Africa witnessed a new wave of immigration. Initially on a small scale, it gained strength as Nazi German expansion pushed across Europe, leading to a wave of Dutch and German immigration to South Africa during the 1930s. Smaller Italian, Portuguese, and Greek communities had already established themselves as small business owners in retail services, food production, and manufacturing on the fringes of urban areas. By the end of the first decade of the twentieth century, Afrikaners' participation in the mainstream South African economy was limited to agriculture. Some wealthy Afrikaner families had established themselves as wheat, wine, and sheep farmers in the Cape Colony and escaped the devastation of the South African War of 1899–1902. In contrast to significant wealth among Cape Afrikaner farmers (Nash 1997), Afrikaners in the former Boer Republics experienced poverty and marginalisation. As a combination of wartime destruction, droughts, weak personal ambition, and work ethic caused massive white impoverishment by the 1920s, Afrikaner nationalist leaders urged self-redemption to address marginalisation. Afrikaners sought to refute the public statement by the Vice-Chancellor of the University of Cape Town, Sir Carruthers Beattie, that poor whites were "intellectually backward" and that there was something inherent in the Afrikaners that resulted in the phenomenon of [poor whiteism] assuming such alarming proportions in their case (Giliomee 2005: 384). Afrikaner initiative mobilised their own capital to establish their own newspaper and subsequently a publishing house, *De Burger* newspaper and *De Nationale Pers* (currently known as Naspers) in 1915, and then followed by the establishment of an Afrikaner-controlled short-term insurance company, *De Suid-Afrikaanse Trust en Versekeringsmaatskappy (Santam)*, and the life assurance company, *De Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappy (Sanlam)* in 1918. In 1934 Afrikaners formed their own bank, *Volkskas Bank*, to render banking services to Afrikaner people excluded from such credit facilities by the imperial banks. The systematic rise of Afrikaner business received a major boost from the *Ekonomiese Volkskongres* (Economic People's Congress). Organised by an Afrikaner cultural organisation in 1939, the congress was guided by the explicit aim of devising a strategy of economic upliftment of fellow Afrikaners and ascendancy into the mainstream South African economy (Du Toit 1939). These efforts fed into the establishment of social welfare organisations (*Reddingsdaadbond – RDB*), small business and manufacturing industry initiatives funded by Afrikaner savings (*Federale Volksbeleggings – FVB*), a foothold in the mining industry (*Federale Mynbou* – FM), a massive education drive, and a chamber of Afrikaner business (the *Afrikaanse Handelsinstituut* – AHI) to mentor the young Afrikaner entrepreneur. In following the English example, aspiring Afrikaners were sent to universities to study toward professional careers in accounting, business, law, engineering, and medicine. Ambitions to succeed were further spurned on by the public claim by Professor W H Hutt, from the University of Cape Town, that Afrikaners had serious deficiencies in engaging successfully in business (Cape Argus, 15/8/1946). By the early 1960s, Afrikaner business had established itself in financial services, manufacturing, mining, and commercial agriculture, securing around 25% effective Afrikaner control of the mainstream economy (Verhoef 2018; Giliomee 2005; Sadie 2002).

The business culture introduced by immigrant European settlers gave rise to the varied landscape of business in South Africa. Business culture was diverse in origin and developed a confluence of ethnic culture and context. Formal management education did not exist. In the home British market, industry and the public frowned upon business education (Wilson 1992, 1996; Byrkjeflot 2000: 5, 32), giving rise to what Coleman described as "a cult of amateurism" (Coleman 1973: 101). In South Africa, therefore, the managerial class emerged from the convergence of personal family or enterprise grounded business culture and experience, combined with a critical intellectual and educational grounding in professional education as engineers or lawyers. There remained, however, a preference for business leaders who had emerged through the schooling of the firm. It was this tradition of managerial expertise handed down through generational transfer, which infused the corporate sector in South Africa, however, during the first half of the twentieth century. The emerging Afrikaner business elite was not considered part of the business elite. Theirs was a consciously constructed nationalist project, as described above. It was not surprising, therefore, that in higher education it would be inspired Afrikaners who would take the first steps toward the introduction of formal management education in South Africa. Lacking long-standing generational human capital resources from family businesses – as had characterised British and

European businesses – the emerging Afrikaner business elite was motivated to acquire that knowledge base from the successful international business elites. There is in this a degree of comparison with the Japanese model of acquiring managerial experience and expertise from the west so as to transform their economy (Nishizawa 1996). In South Africa, it was not state policy, however, that drove this acquisitive orientation but rather a conscious decision by Afrikaners to learn from international best practice.

The management paradigm in the western world was all but homogenous prior to the Second World War, displaying even greater diversity in the years following the postwar reconstruction. By the 1950s American business schools had established themselves as the source of managerial training for business. However, as European nations also began to develop programmes for management education, they did not simply copy the so-called American model of management education. Instead, the restoration of international trade, fast-growing national economies, and growing internationalisation of business operations in the postwar world shaped national demands for business growth, as well as capacity to expand business into international markets. The keystone to successful business expansion is managerial capabilities. These developed both nationally and internationally. While the successful reconstruction of both the German and Japanese economies was achieved without imprinting an American model of management education (see Amdam 1996: 19; Byrt 1992; Lawrnece 1989; Locke 1988: 93; 1989: Chap. 5), historical experience also points to the existence of distinct variations in social, cultural, and ethnic frameworks in nurturing strategic leadership, business elites, and innovative entrepreneurs.

Central to the eventual (and belated) British and European ventures into formal management education were two characteristic features. First, managers were part of the elite, either the upper middle class, which seemed the overwhelming case in the United States, or from the upper class, which was predominantly the case in Europe (Byrkjeflot 2000: 40–42; Wilson 1996: 135). Second, management education was to ensure wealth creation and economic growth. At the onset of the second wave of globalisation, the American management education paradigm was the powerful sender agent (Kipping et al. 2008). This process was driven by different agents, such as the Ford Foundation and the leading business schools, such as the Harvard Business School. This dominance, nevertheless, did not completely overshadow the emergence of national systems of leadership and business management suited to the culture of the nation. Amdam (1996) noted that the successful economic recovery and emerging international competitiveness of the Japanese and German economies in the postwar era highlighted the fact that the American model of management education proved, indeed, not to be a blueprint for every society. The transfer of the American MBA degree to many countries "has been an expression of weakness; and that the MBA degree has been imported in a major way only by those European countries that lack a strong tradition of training future elites in which their corporations have confidence" (Amdam 1996: 1; see also Nioche 1992: 23). Consequently, British and European university systems grappled with the notion of management as a "science," which required a reconfiguration of management as disciplinary construct, able to offer solutions to managerial problems through the application of science.

Nurturing Business Leadership Through Formal Education

Preparing management for the world of business only entered the realm of disciplinary formalisation during the late nineteenth century, when Frederick Taylor proposed that management must be explored as a science. Moving beyond experience-based transferred managerial techniques mandated empirical backing. To achieve business goals and objectives, management education was formalised to encompass scholarship that can deliver systematic information to facilitate successful management operations. In a similar way as the Industrial Revolution in Britain and the second Industrial Revolution in Europe gave rise to the demand for more systematic knowledge about business and management, Taylor's *The Principles of Scientific Management* (1909) formulated a set of scientific principles underlying business and management able to respond to changing business conditions. These scientific principles, to be identified through scholarly inquiry, tested empirically and applied across the spectrum of business operations, were dynamic and subject to contextual substantiation. In South Africa, the former practice of preparing business elites through training as accountants, lawyers, or engineers – or as intellectuals equipped with PhDs in politics, philosophy, and economics (PPE) – gradually gave way to experiential preparation in management and, eventually, systematic management education (Locke 1989: 58–61).

The University of Pretoria established the first business school outside the United States. This was a remarkable development, since Britain and Europe were not at all enthused by the concept of formal business education before 1960. At the University of Pretoria, an institution of Afrikaans tuition, Mr. Piet W Hoek initiated the process to establish a dedicated institution for advanced education in management (The Transvaal University College (TUC) was established in 1909 as an English tuition institution for tertiary education. The college became a full university in October 1930. It remained an English tuition institution until 1932, after which it changed to the Afrikaans tuition institution, the University of Pretoria). As the first chartered accountant in South Africa to insist on writing his final qualifying examination to become a chartered accountant, in his mother tongue, Afrikaans, Piet Hoek qualified as a chartered accountant in 1938. He then established an accounting firm with Arthur Cross and Barry Wiehahn (Hoek, Wiehahn and Cross) in 1946. Hoek, as the junior partner, identified management, as the core dimension in business, that suffered from a lack of systematic scholarly inquiry in South Africa. Previously, the Transvaal University College (TUC) had offered the first Bachelor of Commerce degree in 1919. The degree included subjects such as business organisation and Business Economics as entry-level courses. In the College's Faculty of Trade and Business Administration, the first Master of Commerce degree in Trade was awarded in 1931. Professor W A Macfayden also lectured banking and accounting to bank clerks and candidates studying toward the qualifying examinations of the Transvaal

Society of Accountants. In Pretoria, the city of civil servants, TUC formalised education in commerce, banking, trade, and Business Economics. In 1944, a separate Department of Trade and Business Economics was also formed, the first at a South African university. In 1946, Hoek visited the United States and attended the Annual Meeting of the Academy of Management. As a guest of Dr. Lillian Gilbreth, the "mother of modern management," Hoek participated in a 2-week summer school, taught by Gilbreth and her husband, Frank Bunker Gilbreth. Hoek experienced firsthand the so-called Gilbreth system of teaching scientific management. He also visited Columbia University and the Harvard Business School, familiarizing himself with advanced management education in the United States. On the basis of his assessment of several MBA programmes, Hoek prepared a strong case for the introduction of an MBA programme at the University of Pretoria. The Harvard Business School supplied extensive material to strengthen Hoek's case, but he preferred to model his proposal on the Columbia management programme. Hoek was appointed lecturer in Accountancy at the University of Pretoria in 1948. In November 1948, the accounting firm Hoek, Wiehahn & Cross submitted a formal proposal to the University of Pretoria for the establishment of an Institute for Management and Administration. In March 1949 the university authorised the first postgraduate master's programmes in management at a South African university. However, university management refused to confer a Master's Degree in Business Administration (MBA), since UP did not offer an undergraduate degree in business administration. The university agreed to confer a Master's of Commerce degree in Management and Administration. This South African discourse was similar to the aversion in Germany to master's qualifications in business administration, where preference was given to the disciplinary foundation of Economics and Business Economics (Byrkjeflot 2002: 13). Finally, in 1955 the UP changed the name of the degree to that of an MBA (Adendorff 2012: 53–58).

The UP MBA established a nexus between the university and industry. The Iron and Steel Corporation (ISCOR; established in 1928 as a state-owned iron and steel manufacturing enterprise) made a grant to UP in 1948 toward the introduction of an MBA qualification. The context of the establishment of the first business school offering an MBA qualification was significant. The initiative came from an Afrikaans tuition university, driven by a chartered accountant following the American example of teaching scientific management. During this period, the South African economy also experienced strong growth, especially in manufacturing. In addition, the state supported extensive industrial development through the Industrial Development Corporation (state-owned entity formed in 1940 to promote industrial development through expertise, business mentorship, and financial support) and ISCOR. After the National Party came to power in 1948, and commenced systematic implementation of a policy of separate development, an additional injection into domestic manufacturing came from the groundbreaking chemical technology developed by the South African Oil and Gas Corporation (Sasol), a firm that from 1950 onward played a central role in the establishment capable of serving the needs of both mining and manufacturing. As international markets surged, the South African economy was perfectly positioned to take advantage of growing demand and rising incomes, except for sufficiently skilled human capital, especially managers. It was into this nexus of growth and demand for higher end human capital that the UP MBA was positioned. The MBA was a postgraduate qualification, aiming to establish systematic education in the knowledge of management by replacing the former emphasis on disciplinary education (Economics, Accountancy, Politics) with a focus on empirical enterprise and organisation management. The language of tuition was Afrikaans, but lecturers had to be bilingual. The MBA was a part-time programme offered over a period of 2 years. Accounting, Business Economics, Economics, and Trade, Money and Banking were compulsory subjects. The teaching method was the Harvard Business School case study method. Only 30 students were admitted to the first degree, 25 graduated in 1951, including 1 woman, Frances Mercia Lombard (Adendorff 2012: 58–60).

It is important to note that the MBA programmes in South Africa evolved in parallel to faculties of commerce, where students completed first and second degrees. Management training in the MBA programmes was "post-experience," that is, it was assumed that students had already obtained a first degree, acquired some experience in that market, and then enrolled for dedicated industry-based management education. The postgraduate business school phenomenon of South Africa is therefore different from the international experience of undergraduate programmes in management schools leading up to MBA qualifications.

By the early 1950s, it was clear that a new era had arrived in management education in South Africa. Whereas managers traditionally entered business leadership from the professions, such as engineering, accountancy, or law, the American business school concept now infused tertiary education in South Africa. This educational shift also aligned with the Afrikaner nationalist ambition to develop local business leaders, especially young Afrikaners, for the corporate world. The UP initiative was, however, not exclusive. English-speaking students were welcomed. A manager at the Anglo American Corporation enrolled in 1963. UP also offered an advanced business management degree, capturing the domestic market while aligning it to international best practice.

Management in South Africa developed within the western tradition. Strong influences from both the American model and European tradition were present. The UP Institute of Business and Administration solicited the services of renowned international academics during its formative years. At UP, Professor Jan Goudriaan, an eminent Dutch academic (he graduated in Economics at the Delft Technische Hogeschool), established Business Economics as a discipline. Significantly, Goudriaan came from the European tradition that saw a disciplinary grounding in Business Economics as the best route into management. He was convinced that the HBS case study method was the optimal way to teach on the integrated nature of industry issues, since it harmoniously facilitated a perspective on a seemingly contradictory position of different operational functions in business and industry. Goudriaan, however, was also critical of the HBS case study method. He insisted that the HBS case study method must be integrated into the European tradition that emphasized the need for a firm theoretical foundation as a basis for critical thinking. Dr. Gerhard de Kock, who later joined the International Monetary Fund as economist, taught Economics. Professor H W J Wijnholds, from Tilburg in the Netherlands, lectured on Trade, Money, and Banking. Dr. Bared de Loor, born in the Netherlands, laid the foundation for the Department of Statistics and Business Mathematics at UP (Adendorff 2012: 67–68). By 1952, the content of management and business administration courses at UP reflected alignment to American business school best practice. The course content included the following: Administrative Policy, Administrative Practice, Public and Labor Relations, Financial Management, Statistics, Issues of Marketing Distribution, Finance, and Production (Adendorff 2012: 69–70).

First-mover advantage did not last long. Between 1949 and 1968, another six South African universities established business schools and offered MBA qualifications. In 1964 the University of Stellenbosch (USB) and the University of Cape Town (UCT) GSB (Graduate School of Business) both introduced business schools offering postgraduate MBA degrees and then followed by the Potchefstroom University and, the distance education/correspondence university, the University of South Africa and in 1968 the University of the Witwatersrand (Wits). In 1970 the University of Durban-Westville, dedicated to the Indian community of South Africa, opened its business school and offered the MBA qualification. The fact that the business school at Wits was much later than institutions outside the main business center of South Africa can be ascribed to the established and long-standing position of the university in delivering engineers and other accounting professionals to business and mining in South Africa. In 1960, however, the Council of Wits resolved to establish a Graduate School of Business Administration. The Principal-Professor I D MacCrone visited Harvard Business School to solicit support for the initiative. Subsequently, in 1963 Wits created a chair in Business Administration. The person appointed to the position was Professor Leonard Harold Samuels, an economist, Head of the Department of Commerce and Applied Economics. In 1964 businessman John Schlesinger donated R400 000 (worth around R33 million in 2019) to Wits for the establishment of a Graduate School of Business. MacCrone commented that "This University is the only English medium university in the Republic situated north of the Orange River, and if we can fully utilise the opportunity... we shall be in a position to make quite a unique contribution of a fundamental kind to the welfare of our country, particularly in this phase of its economic development" (UW Gazette 1964: 16; Financial Mail, 4/9/1964). Following internal indecisiveness about course content and appointments (Financial Mail, 3/9/1967), Wits finally inaugurated the first short 8-week executive management course in August 1968 and the first 2-year MBA in September 1969 (UW Gazette, December 1968; Wits Convocation Commentary, March 1969). Wits therefore forfeited a first-mover advantage among the English tuition universities, an opportunity the Principal had hoped the university could take advantage of. It was only in 1968, 4 years after USB and UCT GSB, that Wits got its short Executive Development Programmes of 8 weeks underway. By comparison, UP enrolled its first full MBA programme in 1950, followed by short courses for managers in different sectors of the economy, such as managers in agricultural cooperatives.

The University of the Witwatersrand established international links from the outset. This positioned Wits firmly within the western university management education paradigm. Professor Gottfried Haberler from HBS visited the university in July 1965, during the preparation for the introduction of its MBA (*Die Transvaler*, 23/7/1965), and by 1968 Wits had appointed three American professors to the school. They were H E Dougall, professor at the Stanford Graduate School of Business in Finance; Professor G E Germane, professor in logistics at Stanford Graduate School of Business; and Professor F L Webster, Jr, professor of Business Administration of the Amos Tuck School of Business Administration, Dartmouth College. Also appointed were Professor Harold J Leavitt, professor of Organisational Behaviour and Psychology at the Stanford Graduate School of Business; Professor Henry Eyring, specialising in business management, also from Stanford; and Professor Harold B Rose, professor in Finance from London's Graduate School of Business Studies (UW Gazette 1968: 180; Convocation Commentary, March 1969: 18–19).

These links to HBS were indicative of the early integration of South African management education into the leading American model of business schools. UP also maintained close links with the European scientific community through the appointment of academics to its teaching staff. Nevertheless, management theory followed the leading American business schools. At a time of high economic growth, associated with a surge in industrial production, demand for managerial expertise rose exponentially. Afrikaner industrial and financial enterprise entered a strong growth trajectory, mandating increased access to skilled human capital. Sanlam contributed handsomely to tertiary education, especially at Afrikaans tuition universities such as UP and US (Verhoef 1995, 1999, 2016, 2018). Sanlam thus supported professional and managerial capacity building for emerging Afrikaner conglomerates, para-state institutions such as marketing councils, agricultural cooperatives, and state-owned enterprises (ISCOR, Sasol, Escom, IDC). The Afrikaner's rise to power, its own economic empowerment ambitions, and the growth trajectory of the inward-looking industrial economy certainly served as impetus to the emergence of business schools in South Africa. The scholarly endeavour in management science owed much to the new Afrikaner business elite's desire to measure up with the international leaders in business. Hoek's American exposure paved the way for the future HBS connection. Whereas English and Jewish business in South Africa sustained the legacy of capital and kin links to the "city" and the "home" market in London, Afrikaners ventured out to America. The confluence of Afrikaner nationalist business ambitions and strong post-1950 growth positioned management education in South Africa squarely within the western model.

Business attracted its leaders from two sources at this time in South Africa: either through family or kin networks, as characterised the English elite in the mining industry, or university qualified professionals, which was the route pursued by emerging Afrikaner businessmen. Since the universities were subsidised by the state in South Africa, it necessarily followed that they operated broadly within state policy. The symbiosis between universities and business is fundamental to the understanding of what business education was expected to deliver. The key and overriding role of business is to create wealth for its shareholders and thereby generate economic growth for all. Business education thus targets the enterprise because – in the broad context of society – that benefit ultimately brings massive advantages to the entire population. Social responsibility is, therefore, not the aim of business education. Instead, the wider societal benefit flows to society through employment and access to commodities, thereby enhancing the standard of living, while the reciprocal benefit to business is growing demand for its product and, hence, profits. This interconnectedness of value creation, value exchange, value optimization, and value allocation in creating wealth is the essence of what business managers must learn, understand, and apply (Baba 2016: 270–272, 2018: 140–142). Universities facilitated the rollout of formal management education, not to serve a political agenda, but to deliver to business an operational enhancing service, that is, to support better business through systematic management education. American business success and global leadership were seminal to South Africa following this approach. The UP was the first in South Africa to do so, acting in advance of many institutions in Britain and Europe.

What the business schools offered as formal advanced business education was, in fact, advanced education premised on a bachelor's degree. The target market was business managers, an elite cohort meant to deliver on the efficiency of enterprise for profit. By the time of the establishment of the business schools, white students outnumbered those of colour. Black students studied at English tuition institutions because of their better proficiency in English. Students of colour were never denied access to tertiary education. At the time the National Party assumed power, only 41% of black African children, between the ages of 7 and 16 years, actually attended school. The National Party introduced compulsory education for black African children, and by 1968 the number of black African children in grade 12 (matriculation) had risen from 146 in 1961 to 33,236. Between the late 1960s and 1990, this number rose to 255,669. The number of black African children passing at a level that allowed university entry rose from 15.9% of black matriculants passing grade 12 in 1961 to 35.5% (a total of 3404 successful grade 12 s) in 1976 and 43% (a total of 109,936) in 1990. Both Arithmetic and Mathematics were subjects taught in black schools, thus refuting the popular myth (see Clark and Worger 2014) that black African children were not supposed to be taught mathematics at school (This selective quote was taken out of context from a speech by Dr. H F Verwoerd, on 7 June 1954, before the Senate. Verwoerd argued that Bantu (Black African) education must serve the needs of the community. Schools should ideally deliver educated young people able to work toward the development of their own communities, not as labour tailored to the needs of the white economy. In no sense did Verwoerd ever say or imply that black African education may never prepare its children for professions or careers in business. There is not a single reference in his speech to the alleged view that black children should not be taught Mathematics. See Pelser 1963: 59–79.). The first black African students were permitted to the University of Natal in 1932, and subsequently also to the other English tuition universities, as well as the University of Fort Hare. A medical school for black students opened in Durban at the University of Natal in 1950. Admittedly, the number of black African, Indian, or Coloured students at South African universities was limited by 1950. In 1953, only 526 scholars out of a total of 7877 matriculants who achieved scores allowing university admission were black African, Indian, and Coloured. The total number of black African, Indian, and Coloured students enrolled at South African universities was 2957 out of a total student population of 27,336. However, the national distance education university, the University of South Africa, enrolled black students from 1951, totalling 2236 in 1969 (Annual Reports, Department of Bantu Education, 1953–1970). When the government introduced Bantu Education for black African children in 1952 under the auspices of the Department of Bantu Education (DBE), there was an outcry from the liberal English opposition. This constituency wanted one single education system for all children. Similarly, when the state introduced separate universities for the different black ethnic groups in 1959, the same outcry rang out. The government argued that education within own communities held the greatest benefit for community development, an enhancement of performance and ultimately the broad-based development of black African young people. Of course this was an integral part of the policy of separate development, criticized by the left and the international community. The promulgation of the *Extension of University Education, Act 45, of 1959*, nevertheless, paved the way for the development of ethnic black African universities as well as universities for the Indian community and the Coloured community. B.Com degrees with Accounting, Business Economics, and Applied Mathematics, and a BA degree in municipal and rural management, were offered at Fort Hare University from 1964. A full LLB degree, which is the postgraduate professional law degree, commenced at the University of KwaZuluNatal at KwaDlangezwa, near Empangeni, in 1966. Persistent opposition to separate development finally led in 1994 to the first universal democratic election in South Africa – and the introduction of black African majority rule. All the former black universities were merged with former white universities, except for the University of Fort Hare. What is nevertheless clear is that, despite South Africa's troubled politics, people of colour enjoyed access to a world-class business education in ever growing numbers.

At the time of the ascendancy of business schools at former so-called white universities (never exclusively so, as demonstrated above), students of colour were permitted entry into the programmes, provided they complied with admission requirements. Wits boasts to have enrolled "a person of colour in WBS's inaugural MBA" (UW 2018: 3). There was no "restriction of management education opportunities to Black South Africans," as alleged by Ruggunan and Sooryamoorthy (2019). Nor is it correct that they did not receive a quality education, denying them aspirations to hold positions the political system of the time did not allow (Arnold 2017). As students could enroll for tertiary business and commerce education, both at former white universities and at the ethnic universities, the numbers were, not surprisingly, limited, given the school performance statistics quoted. Black African students wanting to enroll for degrees not offered at their designated institutions were granted permission by the state to enroll for such degrees at institutions willing to accept them on the basis of compliance with access requirements. Statutory job reservation never excluded black African people from taking up positions in business, or the right to manage their own enterprises. As illustrated, by the 1960s Indian and black African people established and managed successful enterprises in urban townships and rural areas. They also organised their own business associations. In 1966, the National African Federation of Chambers of Commerce (Nafcoc) was formed, seceding from the Johannesburg-based African and Indian Trading Association (established 1927) and the Orlando Traders' Association. These successful businessmen in 1958 also established the *Ikageng Finance Corporation*, which provided loans, guarantees, trained personnel, and business advice to their members. It also negotiated access to bank services. On the Witwatersrand the *Bantoe Winkeliers se Helpmekaar* (Bantu shop owners' Mutual Assistance Association) and the Johannesburg and District Traders' Association, established in 1959, performed similar credit operations by advancing cash loans to their members (Verhoef 2017: 111–112). As a growing number of African scholars qualified as lawyers (of whom Nelson Mandela was an example, completing his BA through Fort Hare and UNISA in 1943 and LLB in 1952 at the University of the Witwatersrand), they emerged as the champions of African business in disputes with municipal authorities. It was from this active business context that Wits enrolled a student of colour right from its first MBA course. By the 1970s, the University of Durban-Westville offered an MBA at its own business school. In short, at the time when the MBA was becoming the qualification of choice in the world of South African business and management, students of colour had access to the qualification from the outset (CHE 2004: 17).

Delivering on the Political Agenda

South Africa's business schools expanded slowly. By the mid-1980s, when the policy of separate development was effectively dismantled, only seven institutions from the early 1970s still offered MBAs. The political agenda of the post-1994 ruling party, Communist Party, and trade union tripartite alliance to "redistribute wealth" gave rise to policies of statutory enforced affirmative action. These policies were justified on "redressing the legacy of Apartheid" (http://www.anc.org.za/ancdocs/history/charter.html). The initial Reconstruction and Development Programme (RDP) soon made way for an extensive network of statutes enforcing the transfer of ownership and control of business to black persons. The South African example of the so-called indigenisation is called Black Economic Empowerment (BEE). Cyril Ramaphosa defined Black Economic Empowerment as "economic empowerment for all South Africans – [it] is a very deliberate programme to achieve meaningful participation of disadvantaged South Africans in the mainstream South African economy" (Ramaphosa 1997: 12). The actual transfer of ownership and control to black Africans did not, however, occur to the satisfaction of the ruling party (Jack 2003, 2007). This gave rise to more comprehensive statutes administered by the Department of Trade and Industry (DTI). In 2003, the DTI issued a summary of the statutory landscape. To justify a faster and more comprehensive transformation of the South African economy, a report entitled *A Strategy* *for Broad-based Black Economic Empowerment* (DTI 2003) introduced the principle of economic, sector-based charters to manage the transfer of ownership, managerial control, and skills to the broad black community in South Africa. This was mapped out sector by sector. If a sector failed to sign such a "charter," business in those sectors was either severely fined or completely marginalised, effectively excluded from doing any business with the state. These transfers occurred by means of a DTI *Code of Good Conduct* assessing the degree of black ownership of enterprises, the number of black directors of corporations, blacks in executive management, skills transfer to enable black managers to take control, the number of black employees, as well as the effective empowerment of the broad black community through compulsory procurement of goods and services from black enterprises. Non-compliance thus excluded private enterprise from participating in any business with the state. Compliance secured accreditation in the form of a "prize" or score – Code of Good Conduct (scorecards) – ranging from 1 to 4. Under this scorecard, 4 indicated full compliance, securing such enterprises public contracts, preferential procurement by government, and a general positive image as a business concern contributing to the economic transformation of the country (DTI 2003: 11–14; Jack 2007: 108–109; Andrews 2008: 33–36).

The synchronised enforcement of BEE occurred through several other statutes. First there was the *Employment Equity Act No 55 of 1998*. This act mandated the employment of persons on the basis of race, justified as "restitution of the legacies of Apartheid" to reflect the demographic composition of the country, as per quota of population group. The *B-BBEE Code of Good Conduct*, it should be noted, had a significant impact on the operation of the liberal open market in the South African economy: only companies with a B-BBEE score were eligible to do business with the state through preferential procurement by state departments, provinces, and municipalities. The *Public Finance Management Act No 3 of 1998* tasked the treasury to prepare a framework for public procurement. The *Public Procurement Policy Framework Act No 5 of 2000* finally excluded all non-B-BBEE companies from any public business (Bolton 2008; Smit 2016). The *Skills Development Act No 97 of 1998* also mandated racial quotas in skills development programmes at all levels of training and industry skills development, thus enforcing new-style "job reservation" or race-based employment reservation and training. In higher education similar politically sanctioned racism in the name of reversing so-called injustices of the past resulted in preferred access to universities by dedicated demographic categories of the population. The expected outcome of the reinstitution of statutory discrimination is that institutions of higher learning were flooded by students insisting on admission on the basis of statutory justified entitlement. White employees in the civil service were retrenched and replaced by party loyalists. This created an implosion of capacity, leading the Minister of Public Services to issue a directive to public services employees at the middle and senior level, asking them to enroll in MBA degree programmes (CHE 2004: 6). It is not surprising then that higher education institutions experienced a crisis of admission and an assault on scientific integrity, academic freedom, and standards.

The political economy of the transformation agenda distorts the purpose of advanced management education, turning it into a tool to take control of business. Where advanced business education is intended to advance capacity of experienced business leaders – the knowledge base and capacity in business to grow profit and wealth – the South African agenda burdens business with an entitled cohort, having to deliver on a political agenda rather than sound business. State intervention through the directive of the Minister of Public Services confused business private sector and wealth creation with public sector management education and policy implementation. This contributed to tension and a loss of focus for both business and public management education, as the boundaries between the two have become blurred. Master's degrees in public administration lost its appeal as public servants chose to enroll for an MBA qualification instead. Business schools gradually began focussing more on qualifications in policy than business management.

Business schools experienced the tension between the public sphere and business. It no longer was the best managers who entered business schools to enhance managerial capabilities but the politically sanctioned candidates. Between 1990 and 2004, the number of private and public (university-linked) business schools in South Africa mushroomed from 7 to 27, of which 18 were public higher education institutions (13 universities and 5 technikons) and 9 were private institutions (5 local and 4 foreign service providers). As could be anticipated from the high expectations created by the new ruling party in terms of economic redistribution through statutory sanctioning, the number of students in MBA programmes rose rapidly. In 2000, 4868 students enrolled for MBA degrees at the different business schools. By 2002, numbers had risen to 5081. At this point, the Council for Higher Education (CHE) conducted an assessment of the quality of MBA programmes, a review undertaken between November 2002 and March 2004. What was becoming evident even before the review, however, was that an opportunistic entry into the market for MBAs, driven by the BEE agenda, was compromising quality. The transformation agenda opened the door to a proliferation of MBA offerings of questionable quality. This development contributed to a growing disconnect between business and the business schools. Very public criticism of MBA graduate's employability (CHE 2004; Financial Mail 2003), and outright refusal by some business corporations to employ MBA graduates, impacted negatively on the existing business schools' standing.

The CHE inquiry into the MBA qualification in South Africa implied, ultimately, an assessment of business schools as institutions of higher learning. The HEQC was tasked to assess all MBA programmes. This assessment commenced with an assessment of governance of the business schools. The question was to what extent did the existing business schools dovetail with the official CHE policy and the entire BEE policy framework? Were these institutions' mission statements aligned to the "broader developmental and societal objectives of the state" In principle, this implied alignment with the political transformation agenda of the state. The second set of assessment criteria investigated the course content, pedagogy, assessment, and weight of research content in the assessment toward a master's qualification. The last category of the MBA programme assessment was directed toward ascertaining how the programme interacted with its "stakeholders" or context. The key question here was whether business schools were responsive to their immediate environment? (CHE 2004). The assessment was conducted on the basis of three criteria: governance, learning programmes, and context. Apart thus from purely academic content and management governance, the CHE mandated compliance with BEE statutes (Arnold 2017). Faculty and students had to comply with reintroduced statutory racial discrimination. "Context" is the concept used to justify race-based faculty composition and student enrollment, as well as geographical location. Ultimately, business schools are also BEE accredited (FM 2018: 14).

As a result of the review, 15 business schools were assessed fit to continue their operations. Another 15 had to reapply for accreditation. (See Table 1, displaying the CHE-accredited business schools between 2009 and 2018.) In 2018, 17 business schools have HEQC (Higher Education Quality Council) accreditation. By recalling accreditation of 15 business schools in 2004, the CHE introduced state regulation of business schools as part of the ideological manipulated university education system. In 2019 there are 18 accredited business schools in South Africa, 13 at universities and 5 private. State intervention in the business school landscape was a function of the political economy of the race-based ideological reform agenda (euphemistically referred to as the "transformation" agenda) of the post-1994 state. The ultimate intention of the HEQC assessment, therefore, was not only the quality of

Table 1 CHE accreditation

Gordon Institute of Business Science	MBA
Henley Management College of South Africa	MBA
Management College of South Africa (MANCOSA)	MBA GeneralMBA Tourism Management and Development
Milpark Business School	MBA
Nelson Mandela Metropolitan University of Technology, MBA Unit	MBA
North-West University, Mafikeng Campus	MBA
Potchefstroom Business SchoolNorth-West University: Potchefstroom CampusVaal Triangle Campus	MBA (Contact)
Regenesys Management (Pty) Ltd	MBA
Regent Business School	MBA
Rhodes Investec Business School (RIBS)	MBA
Tshwane university of technology business school	MBA
Turfloop Graduate School of Leadership (TGSL)	MBA
University of Cape Town Graduate School of Business (GSB)	MBAEMBA
University of the Free State School of Management	MBA General
University of KwaZulu-Natal (Westville Campus), Graduate School of Business	MBA
UNISA Graduate School of Leadership (SBL)	MBAMBL
University of Stellenbosch Business School (USB)	MBA
Wits Business School	MBA

Source: SABSA MBA 2009 to 2018. Business School Information, June 2019.

management education but also the alignment of business schools with the transformation agenda of the state – i.e., the responsiveness to the BEE transformation agenda. Significantly, the CHE posed a concluding question in the 2004 assessment: "Are business schools conservative or subversive? Are they simply a vehicle for changing the racial composition of business in South Africa, or can they redefine the relationship between business and society?" (CHE 2004: 124). The problem with such ideological interference in scholarly endeavour is the inevitable contradictory outcome. Quality becomes conditional to the political economy of the state.

In essence, the South African state reconfigured the business school environment to deliver what the state mandated – a growing number of black African MBA holders. By 2019, the core of business school excellence remained with those schools who had pioneered international alignment in faculty, curriculum, and didactics. In these institutions, the transformation noise is subdued due to the presence of a core of faculty committed to the maintenance of historic standards. In an attempt to coordinate delivery on the state's transformation agenda, and to assist business schools accredited for the sole purpose of delivering the state's transformation agenda, a collective association, the South African Business Schools Association, was established in 2004.

As the South African state pursued its transformation agenda, the leading South African business schools – in following the American business school model – looked toward international accreditation to support the standing of the programmes offered, for, in the United States, the demand for MBA-qualified managers caused American business schools to develop a domestic standards body, the AACSB (American Assembly of Collegiate Schools of Business) (Aaronson 1996: 213). This development influenced local business school strategies to enhance the quality of programmes and, thereby, demand by business for its programmes. By 2000, however, only the UCT Graduate School of Business was successful in gaining European Foundation of Management Development (EQUIS accreditation). In 2001, the USB gained a similar status. By 2009, Wits Business School and the Gordon Institute of Business Science (GIBS) were awarded AMBA (the British Association of MBAs) accreditation. More local business schools received international accreditation after the HEQC accreditation exercise. In 2009, the *Financial Times* rankings of international business schools placed the UCT's MBA in the top 100 (at 71); GIBS (49) and USB (55) were in the top 100 for open executive education; and for customised executive education, GIBS was positioned at 41, WBS at 62, and USB at 63. By 2018, only 8 of the 18 accredited business schools in South Africa managed to receive accreditation from the AMBA in the United Kingdom. Four gained AACSB (Association to Advance Collegiate Schools of Business in the United States (note: this body changed its name in the interim)) accreditation. Three business schools received EQUIS accreditation. By contrast, the majority of the South African business schools had CHE and AABS (African Association of Business Schools) accreditation in 2018 (SABSA 2019: 5). In 2019 the *Financial Times* included two South African business schools in its top 100 executive MBA ranking list: the UCT GSB is ranked 47th in the world and is the best in Africa. This is specifically for the executive MBA, which is a part-time programme for persons more established in their careers. The Gordon Institute of Business Science (GIBS) is ranked 87th for its executive MBA. This is the successor business school to the UP business school (https://businesstech.co.za, 21/11/2019) (The Gordon Institute of Business Science was established in 2000, when the University of Pretoria's business school merged with a newly established business school in Johannesburg. Professor N A Binedell, former director of the Wits Business School, was the founder and director of GIBS. Sir Donald Gordon, after whom the institution was named, [Gordon was the founder of Liberty Life, in 1957] donated capital for the establishment of GIBS. By 2010 GIBS was ranked 40th in the top 50 *Financial Times* business school ranking (Adendorff 2012: 276–294).).

The three EQUIS-accredited business schools, UCT GSB, USB, and Henley Business School, have the most significant share of international faculty, both full-time and part-time. The Henley Business School is the only foreign business school that was prepared to negotiate the political "transformation" agenda of South Africa to establish operations in South Africa. Apart from Henley, only two South African business schools can be considered internationally competitive (Arnold 2017: 271–273). The CHE and AASB accreditation is nothing more than self-styled justification of the politically driven transformation agenda. It does not enhance international competitiveness. It does, however, encourage African scholars from outside South Africa to enroll, bringing in much needed foreign exchange. By contrast, the globally oriented business corporations in South Africa still send their senior executives to the Harvard Business School and the INSEAD advanced management programmes.

The CHE succeeded in transforming the business schools in South Africa. All the management programmes are graduate programmes – applicants must have a 3-year baccalaureus degree or hold a postgraduate diploma. The business schools were always graduate institutions. The evolution of the MBA programmes was from part-time offerings, initially, then to full-time programmes. At present many business schools have closed their full-time programmes altogether. The general trend is for only part-time MBA programmes. This aligns with the shift toward public administration and the focus on policy. There is a significant shift toward executive education, which follows from the preoccupation with the transformation agenda. This sees people placed in executive positions without a previous career in business management where they would have gained both practical and theoretical understanding as to the operation of an enterprise. Consequently, executive education through short courses has overtaken academic programmes as the primary source of revenue for many domestic business schools. This development is contextually determined. A cohort of executives have landed themselves positions without the growth in the family enterprise, or the systematic buildup of experience in the corporate business environment. As a growing wave of skepticism about the MBA management education mounts internationally (*The Economist*, 2/11/2019; Moyo 2019), there is a significant shift toward short executive programmes, designed to the needs of the sponsoring business community.

The composition of faculty and student bodies has changed to comply with the transformation agenda. The proportion of black South African citizen faculty rose from 23% in 2009 to 29% in 2018, and black faculty from outside South Africa declined from 10% in 2009 to 8% in 2018. International faculty (both African and other international origins) declined from 30% to 19% in 2018. Meanwhile, the proportion of black students rose from 46% in 2009 to 60% in 2018. The number of graduations rose from 1439 in 2009 to 2424 in 2018 – an increase of 58%. The overall success rate of MBA/MBL graduates, however, was unimpressive. In 2011, only 33.9% of the total student body completed the qualification. In 2018, the success rate was only marginally better with only 38.8% graduating. Significantly, SABSA does not reveal the racial composition of the *graduandi* (SABSA 2019: 3–27). Emphasis is placed instead on enrollments. The *Financial Mail* annual MBA survey of 2019, for example, afforded much publicity to the fact that 61.12% of the student body is made up of black South African students. Women comprise 40.1% of the total student body. But when reflecting on the number of successful students graduating (2711 students), there was no demographic breakdown (FM 2019: 16, 124). In other words, we know the race and gender of those who are studying, but not those completing.

One of the changes introduced after the 2004 HEQC accreditation exercise was to require a research component as prerequisite for the awarding of a master's degree. This meant that the accreditation of the MBA as a master's degree be conditional on candidates completing a dedicated research component. An added research focus implied that faculty also had to be research active. This requirement thus mandated business schools' academic research to focus more in line with the academic research requirements of university faculty. The compliance with this requirement varied. In 2015, 17 business schools published 171 articles in ISI international-accredited journals. By 2018, however, 14 business schools published only 71 articles in ISI-accredited journals. A similar trend occurred with respect to IBSS international-accredited journals: 17 South African business schools published 122 articles in IBSS-accredited journals, but this declined to 61 articles by 14 business schools in 2018 (Research published in accredited peer-reviewed scholarly journals originated from both the MBA research projects and independent research activity of business school faculty). The dismal research output in Scopus-accredited journals in 2018 was 32 out of a total of 630 publications listed (5% of the total publications).

Following an investigation into who published with whom and from which institutions, it was reported that the all-white publication profile prior to 1993 had changed to fit the transformation agenda. By 2015 the racist analytical paradigm used to classify authors according to their race displayed a shift from an all-white authorship before 1993 to 72.2% white authors, 19.8% black African authors, 4.1% Indian authors, and 3% publications by "others" – no explanation of who constituted this "new race" depicted as "others" was provided (Ruggunan and Sooryamoorthy 2019: 54). This research is an exercise in quantitative insignificance, since to know what the race of an author is has no bearing on the scientific scholarly contribution to disciplinary discourses or developments. The transformation agenda is, nevertheless, clearly served. However, this self-serving outcome failed to enhance the scientific scholarly standing of research output of South African business schools. The number of ISI-, IBSS-, and Scopus-accredited outputs continues what has become a sustained declining trend since 2004. Significantly, the GSB at UCT opted for a reversal of this trend, by formulating the school's mission to establish a coherent research identity and focus and by developing a strong research culture. This enabled the GSB to increase ISI-accredited publications from 5 in 2012 to 33 in 2018. At the same time, the GSB delivered six PhDs between 2015 and 2019. This scholarly inclination has placed the GSB ahead of the Faculty of Management at the University of Cape Town in terms of research output (Hamann 2019).

Reputable international accreditation of local business schools remains limited to three institutions, of which one is an international institution operating in South Africa. A distinct question mark seems to have appeared over the quality of management education in South Africa, except for at the three triple internationally accredited business schools.

Management *quo vadis*?

When the perspective shifts from the domestic South African context to the wider context of Africa as an emerging business hub, there is a dearth of research and publications on African business and management (Kolk and Rivera-Santos 2018; Verhoef 2017). There is a steady stream of enthusiastic calls for research on Africa (George 2015; Nkomo 2017; Nkomo et al. 2015; Baba 2018; Amankwah-Amoah 2018). However, conceptual consensus on management in Africa is yet to emerge. No distinct African management framework exists. Africa is no monolithic entity (Baba 2018). Management in South Africa emerged from a core knowledge base, grounded in western management theories and practices. Its purpose was to strengthen business and create wealth. Despite the political economy of the transformation agenda, a core of the discipline of Management was preserved. In the subject offerings toward an MBA qualification, finance and accounting, strategy, leadership, human resources, and marketing make up the top six core subjects offered in all programmes (apart from research, which became compulsory since 2004). The second set of six subjects consists of Economics, International Business, Operations, Change Management, Statistics, and Management. Ethics, information systems, entrepreneurship, sustainable development, and social responsibility make up the third batch of six subjects. It is significant that business law, business communication, and innovation are at the bottom end of core MBA subjects (FM 2019: 21; SABSA 2019: 33). In the core subject content, it is therefore evident that management education in South Africa offers students a curriculum in tandem with business schools in the leading western geographies. The CHE acknowledged in 2004 that there was no such qualification as a "South African MBA" or a French MBA or a Mexican MBA, but only a management education that explores functional areas of management. The prevalence of this model points toward a worldwide demand. What carries the distinction of quality in this pattern of global offering is the scholarly standing of faculty and the internationally recognised research output feeding into the teaching programmes. In this respect, the South African business schools fail dismally (CHE 2004: Chap. 5; Arnold 2017: 262). The CHE assessment report in 2004 alluded very clearly to the fact that business management is driven by motivations of efficiency and profit, but that the goals of the state and non-governmental organisations (NGOs) were welfare and socially driven development. The inherent difference between the political economy of the transformation agenda and the orientation of business toward efficiency creates a tension within both business schools and the business community. In order to deliver on the BEE targets in the transformation agenda, the primary aim of enhanced business efficiency (wealth creation, profit, international expansion) is secondary to the political agenda. State regulatory intervention to align the MBA programmes to the transformation agenda also gave rise to the clear division between business schools with credible international accreditation and the majority of business schools aligned to the AASB. Whereas advanced business education should enhance the best minds and the capabilities of the business enterprise, in South Africa MBA education has become highly politicized. The absorption of business school graduates (or lack thereof) indicates that the corporate entities in South Africa do not recruit their leaders or their elite from this environment. A recent survey indicated that only 16% of the top 100 companies listed on the JSE employ MBA graduates as CEOs/top executives (Moyo 2019). The *Financial Mail* 2019 survey showed that 24% of graduates (the largest component) of MBA programmes ended up in positions of general management, 10% in strategic planning, 11% in financial management, and 9% into project management (FM 2019: 62).

This dilemma caused the SABSA to meet late in 2017 to consider the threats to its core function. In a document entitled *Alternative Futures for Business Schools in South Africa*, SABSA acknowledged the high level of diversity between business schools, as well as the persistent decline in the number of South African business schools with international accreditation. The transformation agenda also resulted in staff still in need of so-called academic development. At the same time, business schools grappled with the practical function of the MBA qualification, given the demographic change in the student body and the western grounding of business schools' core function. Growing state intervention in public universities also concerned delegates, suggesting strategies to seek private funding that may facilitate business models less dependent on research. Meanwhile, a slowing demand for MBA degrees was evident as formal employment opportunities diminished amid persistent problems in the South African economy. On the other hand, the demand for global competitiveness highlighted the need for a business education directed toward a globally relevant and competitive experience. As the economic situation became more acute, business schools also experienced growing competition from specialised consulting service providers. This reduced demand for local MBAs. Among the innovative offerings by the various international consultancies are those delivered by firms such as Google, Apple, and Pearson which were prominent. International competition also syphoned potential students from the South African business schools. The latter's survival was increasingly linked to a revival of economic growth based on domestic consensus and human capital development. To achieve desired targets, business schools needed to improve international competitiveness, apply advanced technology in their curricula, and bypass the stifling regulatory environment through private stakeholder alliances. SABSA acknowledged that the "mineralization" of the research component of the MBA prepared candidates only for a *cognate* doctorate, not a PhD. This compromised the quality and standing of the programmes in the business schools.

In the end, the ability of the SABSA members to navigate the landscape of regulatory and institutional intervention was deemed fundamental to their ability to succeed internationally and locally in the medium term. This scenario was put forward as a "strategy for the future." But it was also recognised that "pockets of excellence" existed among those business schools successful in negotiating the social, institutional, technological, and financial landscape of South Africa. Such schools maintained a globally competitive foothold. It remained, however, almost impossible to reconcile the contradictions inherent in the situation. On the one hand, SABSA noted that academic staff development was vital. The question was: could the young staff deliver on what business schools required? Transformation imperatives meant that staff had to be developed. There are, however, insufficient numbers of PhD-qualified black staff who can be employed. Newly trained business academics are, therefore, not delivered at the required rate from the restricted transformation mandated pool. On the other hand, in the name of "transformation and decolonisation of curricula," the political experience was that "sound practice and theories are discarded in favour of politically motivated offerings" without consultation with business and employers. Then, off course, globalisation, the new catchphrase of international business, made it far easier for students to study business and management outside South Africa (Moyo 2019). This global accessibility simply heaped up pressures on South African business schools to convince aspiring executives that they have an offering able to deliver "globally relevant and competitive" training (SABSA 2017).

The political economy of the transformation agenda incapacitated management education in South African business schools. One manifestation of the context is the leadership crisis in business schools. It has become increasingly difficult to identify leaders for the business schools complying with the transformation agenda. The WBS is one such institution suffering from frequent leadership changes, which impacted on strategic leadership and continuity. The complexities of the social and political context of South Africa widened the gulf between the globally aligned models characteristic of the established business schools, such as UCT GSB and USB, and the political subservient models of later entrants. A strategy for the future, built around a vision for business, embedded in the science of management, innovative application of advanced technology, and scholarly responsiveness to industry, is compromised. To address financial viability, business schools engaged in two other educational activities. One of these is executive education. The other is government, civil corps education. The first of these, executive education, has always comprised part of business school education. However, since business schools were absorbed by the transformation agenda – and the capabilities of loyalist civil servant appointments fell short of the needs of a professional civil service – quick fixes such as short executive programmes at business schools seemed the solution (Arnold 2017: 272–273). For the executive short courses, no minimum academic qualification is required. Since 1949 UP offered short courses for civil servants. By 2018, however, separate schools of government were no longer a rarity. Prominent among these were the WBS (the Wits School of Governance, established in 1993 as the Wits School of Public and Development Management) and the School of Business and Governance at North-West University (created through a restructuring of their business school). In addition, the Turfloop (University of the North) and UNISA business schools also incorporated government management training. It is also interesting to note that part-time faculty increased by more than 53% between 2009 and 2018. However, only 49% of these held doctoral degrees. The component of black African faculty grew to 35% in 2018 – of which 11% were recruited from outside South Africa (SABSAa 2019: 9).

The nature of the course offerings shows how business schools operated in support of the transformation agenda. The bulk of executive programmes was now customised to the needs of the client. Between 2009 and 2018, the number of students enrolled in the customised executive programmes rose from 12,198 to 20,844 – a 52% increase (SABSAa 2019: 12). In open executive courses, by contrast, the number of students declined from 15,743 in 2009 to 12,647 in 2018 (SABSAa 2019: 13). The courses attracting the highest number of students (commissioned by the employer) were those associated with the middle management programme, followed by senior management programme, then the business management programme, and, in the fourth position, the executive management programmes (SABSAa 2019: 24). South African business schools also commenced an African export initiative. By 2018, around 43 short executive programmes were rolled out in other parts of Africa. In some cases, corporations from other African markets sent executives to attend short programmes in South Africa. These executive programmes now comprise a substantial contribution to the revenue flows of business schools.

The crisis of management in South Africa is closely associated with the delivery on the political economy of the transformation agenda. South Africa has become fully integrated into the African culture of corruption and ruling party nepotism. The trajectory of management education moved from a university/business stakeholder relationship to a political economy of transformation, based around statutory sanctioned racism. Although Wits claims to be the preferred business school of choice for engineers seeking business acumen (UW 2018: 11, 14), South African business executives attend international executive management programmes in the United States, the United Kingdom, and Europe in preparation for the global world of business. As attendance of executive management programmes of the local business schools indicates, actual executive education for the corporate sector occurs with increasing rarity at these local institutions. The greater attention to socially responsible business is, however, not specific to South Africa. The 2007 UN-initiated Principles for Responsible Management Education (PRME), for example, claims to address responsible corporate conduct, a programme in which management is directed toward goals of inclusive global economic and business development (Alcatraz and Thiruvattal 2010; Singhal et al. 2017). The PRME principles seek to develop business school students' capabilities to become agents of a sustainable, responsible, and inclusive global economy. Business schools must inculcate those values. They must align the teaching didactics to transfer those values and skills. Research agendas must reflect a commitment toward achieving those goals. In South Africa, only 8 of the 18 business schools signed the PRME charter (GIBS, UCT GSB, MANCOSA, Milpark Business School, Nelson Mandela University Business School, Regenesys Business School, Rhodes Business School, USB). The signatories' sharing of information on progress (SIP) reports shows a commitment to implementing the six PRME principles in curriculum, teaching didactics, and research. It also shows in outward communication and partnerships. A fine example is the UCT GSB partnership with health providers to achieve crucial improvements in southern African public health systems and hospitals. The GSB's Embedding Project received the Academy of Management International Impactful Collaboration Award in 2018 and the AACSB's "Innovations That Inspire" award in 2019. The GSB assists companies in embedding sustainability across the full scope of operations and decision-making via the Embedding Project (Hamann 2019). UCT GSB has thereby positioned itself in alignment with international best practice. The voluntary PRME participation has the potential of strengthening the strategic repositioning of management education in South Africa with international best practice (Oosthuizen et al. 2018). These strategies point to a gradual realignment by the leading business schools in South Africa with their international western roots. It challenges state intervention and politicization of management education. It also makes a crucial move to refocus on business management as opposed to politically induced public management.

Conclusion

The South African corporate landscape nurtured many global business leaders. Many South Africans – Sir Ernest Oppenheimer of the De Beers Corporation, Dr P E Rossouw of Sasol, Dr H J van der Bijl from ISCOR, Dr F J du Toit of the IDC, Sir Donald Gordon of Liberty Life Assurance, Dr M H de Kock President of the South African Reserve Bank, B E Hersov of Anglovaal Mining Corporation, Dr W de Villiers of Gencor, C S (Punch) Barlow of Barlow Rand Mining Ltd, A E Rupert of Rembrandt Corporation, W H Hofmeyer of Sanlam, Graham Mackay of SA Breweries, Sydney Press of Edgars, and many other business leaders in the country – had no formal management training. Their education prepared them – either as professionals or as engineers, lawyers, or economists – for a life in business built around social engagement, responsibility, and leadership. Across their careers, they patiently learnt the art of management in the business corridors. As Indian and African businesspeople entered commerce, they used either family acumen or a broad education, to prepare them for the discipline of dedication and hard work. These traits are vital to grow their enterprise and develop society. The careers of Richard and Marina Maponya of Maponya Enterprises; Ephraim Tshabalala of

Tshabalala General Trading, Fuel and Real Estate; S J J Lesolang of Black Chain Supermarket; Habakuk Shikwane of Habakuk Cane (Pty) Ltd; Fortune Kunene and his sons Keith (lawyer), Dudu (medical doctor), and Zanossi of Kunene Enterprises; and Herman Mashaba of Black Like Me, Rajen Pillay of the Coastal Group, A M Moolah of the AM Moola Group in entertainment and shipping, and Sayed H Mia of the SHM Group all testify to the gradual building of business enterprise and managerial expertise through patience, risk, and diligence. Accordingly, professional management in South Africa emerged systematically from both the small enterprise and the large corporation. It developed through the scientific development of a specialised knowledge base, grounded inevitably in research. Leading business schools over the world distinguish them from others through research as the differentiating factor. The intellectual foundation of business training constitutes the indispensable dimension of management as a science. Jeffrey Pfeffer (2011: 38) argues: "The most important actors, however, are the public and private organisations where management gets done. They must cultivate in their people the belief that good decisions depend on relevant evidence and data. They should compel managers to draw on sound research and learn deliberately from experience."

It is the scientific basis of management as a discipline – as it developed since the mid-twentieth century – which gave rise to a profession combining expertise from other professionals in the world of business. In South Africa, the scientific development of the discipline delivered a core of world-class corporate executives, taking small mining and industrial enterprise into the global market. The political economy of the post-1990 transformation agenda, however, has eroded the scientific and research grounding of management education in business schools. Unsurprisingly, corporate South Africa has responded with initiatives to bypass this development: globalise the business to avoid the effects of South African mandates, list on international bourses, and grow management expertise in the business' foreign locations. Such developments indicate that if management education no longer seeks to enhance the creation of wealth, but to allocate ownership to a political agenda, business will depart from this market.

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Why Entrepreneurship Failed to Emerge in "Developing Countries": The Case of Colonial Africa (1952–1972)

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Contents

Abstract

This chapter builds on historical approaches to entrepreneurship (e.g., Wadhwani D, Entrepreneurship in historical context: using history to develop theory and understand process. In: Welter F, Gartner W (eds) A research Agenda for entrepreneurship and contexts. Edward Elgar, Cheltenham, 2016) to review and synthesize this literature from 1952 to 1972 into three contextually driven interrelated factors to explain why entrepreneurship failed to emerge in colonial Africa during the early period of decolonization. This chapter argues that the temporal, economic, and spatial contexts presented by extant theories are not appropriate to explain why entrepreneurship failed to emerge and discusses how

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these insights can advance understanding of how entrepreneurship contributes to the economic development of emerging economies. First, there was the political situation in African countries of this time: the liquidation of European colonial power in the former colonies in Africa which happened over two decades from the 1950s to the 1970s. Second, the economic conditions which prevailed as Africa, as a resource-rich country, continued to rely on the wealth of resource extraction. Third, rationalism in Europe in the seventeenth Century had paved the way for an industrial revolution, but Africa had not even been explored by Europeans at this time. This chapter offers new objective insights based on historical analysis and synthesis from the contemporary literature of the selected time period, rather than drawing on post hoc subjective and ahistorical literature that lacks the explanatory power of this chapter's historical approach. The explanatory framework and narrative historical synthesis analysis of why entrepreneurship failed to emerge in the former colonies of Africa hopefully goes some way towards addressing critical research gaps.

Keywords

Entrepreneur · Entrepreneurial failure · Entrepreneurship · Ownership · Small business · Start-up structure

Introduction

Entrepreneurs have generally been treated as uniform and universal actors in economic theory, regardless of the stage of economic development of their host countries (Kilby 2011). The origins of the "classic" entrepreneurial theories offered by Cantillon, Say, and Knight (for a review of their contributions see Van Praag 1999), Schumpeter and later Kirzner (see Hébert and Link 1989) were largely (with the exception of Kirzner) constructed by surveying Western sites at the time of the industrial revolution or pre- or post-World War II. The relevant contemporary literature on the historical context of small firms has been explored and reviewed in the postindustrial Western context (e.g., Cassis and Minoglou 2005; Casson 1982, 1997, 2011; Casson and Casson 2013a, b, 2014; Casson and Godley 2005, 2007; da Silva Lopes and Casson 2007; Harris 1967; Hébert and Link 1989, 2006, 2009; Kirzner 1997; Murphy et al. 2006; Popp and Holt 2013). However, these insights cannot be applied to build knowledge of entrepreneurial history in emerging economies. Entrepreneurship is not the same all over the world.

Nevertheless, there has been an undeniable tendency to apply entrepreneurial theories grounded in the Western canon to emerging economies, without taking account of the context in which business activity occurs. This has particularly been the case in Africa. Although there has been an explosion of recent scholarly interest in entrepreneurship in Africa, the main frameworks used are those grounded in frameworks dating from the postindustrial Western context. In other words, the current studies are a-contextual. This finding leads to two issues. The first is the absence of context. The renewed interest in context and entrepreneurship led by Baker and Welter (2018) suggests that studies on entrepreneurship are deficient in that they focus exclusively on the behavior of entrepreneurs and treats the social, economic, and political infrastructure as externalities in which these activities take place. The second issue is that if the social, economic, and political structure is unfavorable towards the development of an entrepreneurial culture, could this explain why entrepreneurship failed to emerge in some countries, while in other countries where the climate was favorably structured towards entrepreneurship, it flourished? If that is the case, then Wadhwani's (2016) approach suggests that a historical perspective explaining the process and theory of entrepreneurship could be a most useful way forward. Hence, the chapter examines the development of entrepreneurship (or lack of) in colonial Africa during 1952–1972 by reviewing and synthesizing literature to derive contextual (Welter 2011; Zahra 2007; Zahra et al. 2014) insights from this period that explain entrepreneurship's failure to emerge in emerging economies. This chapter argues that the temporal, economic, and spatial contexts presented by these theories are not appropriate to explain why entrepreneurship failed to emerge in the early postcolonial period (1952–1972). The chapter discusses how these insights can advance understanding of the contribution of entrepreneurship to the economic development of emerging economies: lacking from ahistorical and a-contextual approaches to the topic. Therefore, an historical analysis – as proposed by Wadhwani (2016) – that is highly contextualized can offer insights that "sterile" (Zahra 2007), noncontextual contemporary academic studies neglect (Zahra et al. 2014).

The chapter is organized as follows. The first part of the chapter explains why entrepreneurship failed to emerge in the newly independent formerly British African colonies between 1952 and 1972, why this period was chosen, and of the newly independent former colonies, why these countries were selected. The next part of the chapter examines, using the historical method of counterfactual analysis, what were the perceived barriers to the growth of entrepreneurial activity, in this group of countries at this time. A conclusion is offered in the final section.

Why Entrepreneurship Failed to Emerge in Former Colonies

While a postwar Europe (apart from Britain) was concerned with reconstruction and the re-building of business activity, politically, the major concerns were between the pre-war hegemony of the West versus the postwar concerns of the expansion of Communist power. The concerns were about the vacuum of world leadership which both the United States and the Union of Soviet Socialist Republics (USSR) were contending for, and in particular whether the essentially bankrupt European economies could continue to tend the Colonial Empires which they had built in Sub-Saharan Africa from the 1860s to 1870s. If they were not able to continue what or who would fill the space?

Concerns were expressed at the newly formed United Nations that the USSR would try to form alliances and influence the direction of the colonies of Africa.

Another concern was how to deal with persistent underdevelopment in countries which had been exploited for their resources and peoples in the less developed areas of the world and were politically and economically dependent. Until the Second World War each of the British colonies was supposed to subsist on their own; so there was nothing whatever to spend on development. With the passing of the first Colonial Development and Welfare Act during the war, the word "development" entered the Colonial lexicon (Allen 1980). Development was a relatively new proposition. Its currency was promoted by development economists (none, except Harris 1967, had ever been to Africa) but they were called on to give their advice on how underdeveloped economies could improve their position.

Periodization as an Historical Method

Buckley (2016) suggests four categories for historical method which can be usefully applied to the study of business history. The first is source criticism (covering the provenance of documents and using triangulation of evidence to avoid bias). Historical analysis of documentary evidence involves analyzing what is not present in archives, not what is. Records of a period contained in Colonial Office documents may not be representative of what a District Officer in the field (the colony in question) quite thought of the same situation, which is why oral histories from the ranks of the Colonial Administrative Service in Africa as recorded by Charles Allen in 1980, represent a rich narrative of what it what it was like for them. The second approach is the analysis of sequences using time series analysis and process theorizing. This approach is called "periodization" by Decker (2013) taking a selected period of time and using thick contextualization in time and space to develop a historical narrative of the sequenced period. The comparative approach or method is where a comparison is drawn between say, a firm operating in different geographic locations, or, as for colonial histories what differentiated the experience of one colony from another in the same period of time. The final approach is counterfactual analysis – the "what if" question, which enables the researcher to pose the question, what would have happened had some crucial turning point of history had turned out differently? (Buckley 2016, p. 890). However, Buckley warns that hindsight occurs if the counterfactual is contaminated by ex post knowledge of the outcome. For this chapter, two methods were used. The first was periodization (taking a particular period in time in the history of former colonies in British controlled sub-Saharan Africa) as they transitioned from British rule to full independence over a remarkably short period of time (1952–1972). The second method, counterfactual analysis, poses the question "Why did entrepreneurship fail to emerge in British Colonial Africa?" Entrepreneurship was being promoted by development economists as a way for emerging economies who were then mired in poverty, to break out of this morass.

To understand the perspective that development economists were using, a literature search using the term "entrep∗" and "small∗" (as in small firms) was undertaken. This initial literature search uncovered articles from 1952 onwards. Perhaps not surprisingly, as Table 1 shows, the literature search uncovered that the majority of articles were written between 2000–2009 (35.2%) and 2010–2014 (45.2%) compared with the previous decades, apart from the 1950s where only one article was identified, had relatively similar proportions of reviewed articles. This growing trend of writing about entrepreneurship in emerging economies suggests a burgeoning interest in the broad subject area.

Myrdal (1968), as an ardent proponent of institutional approaches, could see that the problems of underdevelopment could not be tackled in isolation. Consequently, he questioned economists who applied Western approaches to the problems of underdevelopment and did not consider the institutional framework in which these solutions had to be applied. Thus, he advocated consideration of shortages of skilled labor, a result of low education levels, rigidities of attitudes, class, and religion which would hamper developmental efforts.

Apart from Myrdal (1968), the authors found few other contemporary writers concerned with the impact of the political situation on the future of underdeveloped countries. This scarcity may tentatively ascribe this to the increasing demarcation of lines of scholarship in Western thought. Whereas the writings of Smith, Ricardo, John Stuart Mill, and Keynes were aware of the political background of their contributions, the expanding literature on development problems constituted a major re-direction of economic science, indeed of all social science. Hence, the focus by other contemporary writers (Leibenstein 1968; Silberman 1956; Shetty 1964) on the problems of underdevelopment tended only to look at the economic problems facing the underdeveloped countries. The post-Second World War period 1952–1972 saw vast political change in underdeveloped countries. Prior to the war, the most intensive work had been done by Western cultural anthropologists who studied the static structure of institutions and attitudes of people living and working in these countries and their survival plight. As Myrdal (1968, p. 9) pointed out, the re-direction of the work of social scientists was not "an autonomous and spontaneous development of social science but a result of vast political changes." Silberman (1956, p. 41) was no less convinced than Myrdal (1968) that entrepreneurs, due to specific differences in these "underdeveloped countries" would be able to act as engines for growth, would be manifested in the same way that they had done in the Western economies. He describes the tensions between the "United Nations School"

Table 1 Temporal analysis of meta-analysis articles

Year category	Count	Percent (%)
1950–59	1	0.5
1960–69	7	3.5
1970–79	7	3.5
1980–89	10	5
1990–99	14	7
2000–09	70	35.2
2010–14	90	45.2
Grand total	**199**	**100**

Source: the authors

or the "New-Welfare Economics" as he calls it who believed in industrialization for the underdeveloped countries, "favoring policies which change the ratios of rural to urban population. . .concentrate attention on large-scale investments and measurable indexes of progress" over the "New Laissez Faire" school who were convinced that induced mechanization was the answer for countries which have a high abundance of labor. In this sense, he refers to Knight's (1921) caution that such an approach would mean that "man's energies are devoted to doing things automatically" (Knight, p. 21). It would destroy the creative impulse, of entrepreneurship which depends on ingenuity and shrewdness, judgment, and heterodoxy. Such enterprise as Silberman (1956) could find in the underdeveloped economies were all related to local production for the building industries, repair and maintenance, wood-milling garment making, and exploiting cultural traits fused with a developing tourism industry.

This nascent form of entrepreneurship, tested by Harris (1967) in Nigeria, suggests that growth begins with a small cadre of local entrepreneurs and would only proceed if they were drawn into the nexus of the international economy, going overseas to obtain the requisite skills. Harris (1967) commented that the local education system emphasized literary skills, rather than technical and managerial skills, so he saw no future of the development of entrepreneurship. This argument focuses on differences in education systems. Leibenstein (1968) claimed that routine entrepreneurs, who coordinated and managed a well-established going concern where there were opportunities in established markets, were distinctive from nascent entrepreneurs who carry out an enterprise where not all markets are clearly defined and/or where parts of the production function are not completely known.

Leibenstein (1968) saw that the rigidities of institutions were part of the problem. Developmental economists need to focus on studying the gaps, obstructions, and impediments in the market network and assist potential entrepreneurs in these economies to be trained to spot opportunities. This theme pervades in other studies such as Shetty (1964, p. 917) who was less than sanguine about the potential of private entrepreneurs to promote economic growth in underdeveloped economies. "In fact, in most developing countries of Asia and Africa, entrepreneurship has been found to be the most important limiting factor in their economic development." Spengler (1958), also pointed at the expansion of the public sector at the expense of the private sector which "slows down the aggregate number of entrepreneurs" (p. 472), curiously suggesting that a solution to this problem would be either to bring into the bureaucracy individuals who could have been or who currently are entrepreneurs, thus displacing people in over-manned or inefficient bureaucracies. This approach Spengler (1958) ascribes to the continuing presence of the politico-legal frameworks established by colonial administrators. Bonné (1956, p. 10) also referred to this dominance of public and semi-public bodies, stating that: "Occidentals in their socio-economic credo are not aware of the potential for growth in underdeveloped economies."

This recurrent theme of underdeveloped countries adhering to the customs and traditions of public administrations which prevailed since colonial expansion over generations dominates the scholarly literature on entrepreneurship in undeveloped countries during this period 1952–1972. The legacy of these administrations was perceived as being actively hostile to measures required for transformation, even to the point of suggesting the creative destruction of such enterprises. Governments should work on a neutral plane and promote the interests of the community at large, irrespective of the changing political conditions. It was entirely possible that this group of commentators on the position of underdeveloped countries would have been influenced by the views of a collective group of 150 political and social scientists (the Group convened by Colonel House, a Presidential advisor) who contributed the material contained in the text of the speech given by President Woodrow Wilson, on 8 January 1918 (Wilson 1918). This text subsequently became the inspiration for the mandate of the League of Nations.

Wilson’s viewpoint would have become widely known among political and social scientists and no doubt forms the basis for the critical stance on colonialism taken by Western scholars, especially those educated in the United States. However, even when nationalist movements were ongoing, they never perceived what impact “the rising tide of nationalism” would have on the economies of underdeveloped countries? They were overtly critical of the “colonial system” of administration, order, and judicial systems; they were concerned with what the effect of these systems was – especially regarding administration. Public administration engendered “institutional rigidities,” the answer to which was to remove the blockages in the system, replace them with other systems, or develop a rudimentary form of developmental planning. That would free the way up for the establishment of an entrepreneurial economy. Few scholars, unlike Myrdal (1968) who, though focusing his work entirely on Asia, were prepared to consider institutional rigidities as encompassing political, economic, and sociocultural factors and to consider that this complex interrelationship of factors might be able to explain why entrepreneurship failed to emerge in underdeveloped countries.

A counterfactual approach considers the question “what if” the underdeveloped countries of Sub-Saharan Africa had not experienced the institutional rigidities comprising political, economic, and sociocultural factors during the period 1952–1972? Would that then have been the explanation for the absence of entrepreneurialism? Several examples from a select group of British colonial territories (East Africa, Ghana, and Nigeria) were chosen for the sake of parsimony, although experiences in non-British colonies were certainly similar in so far as their own experiences on the path to independence were concerned. Table 2 shows the contextual factors which contributed to the infrastructural void.

Unique Explanatory Factors Inhibiting the Rise of Entrepreneurship in Underdeveloped Countries

Factor 1: Colonization of Africa and the Corrosion of Tribal Communities

The Scramble for Africa started from the 1860s to 1870s when the French and the British begin exploring Western Africa systematically and signed bilateral agreements assigning respective spheres of influence. The Berlin Conference in 1885 laid down the principles that would be used among Europeans to divide the continent. In the next 30 years, European powers signed hundreds of treaties that partitioned the largely unexplored continent into protectorates, free-trade-areas, and colonies. What

Table 2 Key factors inhibiting the rise of entrepreneurship in underdeveloped countries

Contextual factors	Description	Area studied
Contextual factor #1:	Politics, institutions and uncertainty in explaining the emerging economies	Example: "Colonial" and "postcolonial" African nations
Contextual factor #2:	Economic structure and economic direction in emerging economies	Example: "Colonial" and "postcolonial" African nations
Contextual factor #3	The role of religion/culture and education in entrepreneurship in emerging economies	Example: "Colonial and "postcolonial" African nations

Source: the authors

were the consequences of this arbitrary division? European powers were stimulated by the prospect of access to hitherto undiscovered resources – such as the prospect of minerals, agricultural production, land, and labor to fuel the continuous process of industrialization in developed economies. However, the Scramble for Africa had created new nations, with more communication and economic interchange within borders, and a common administration, legal system and common political institutions, the "new" nations symbolized territorial individuality (Coleman 1954). The imposition of Western technology, socio-political institutions, and ideology were disruptive in the introduction of new techniques and symbols for the acquisition of wealth, status, and prestige. However, the new system had no place for these techniques and symbols. Nevertheless, new administrations felt that it was their duty and in their interest to develop parts of Africa but it was not in the direction of the development of entrepreneurship as the development economists (referred to earlier) had suggested were necessary to promote economic development. For British Colonial Administrators, the objective was to maintain law and order or encourage economic and social development. It could not be either/or; it had to be first/then (Kirk-Greene 1980). If anything could typify the Victorian liberal colonial administrator, it would be that their code of conduct was based around the three "G's," that is, God, Good Governance, and Gratuitous Behavior. It was benevolent paternalism, with an initial assumption of racial superiority. As the keeper of the King's peace, a Colonial Governor was seen as "Mother and Father of the People" (Allen 1980, p. 77). However, as a result of colonial empire building, the structure of traditional society was changing.

Perham (1963) describes two "acids" that corroded the traditional structure of tribal communities. The first of these was the introduction of the Western exchange economy. As a consequence of this economy, young men were drawn away from villages to live in labor camps and towns which disrupted the traditional subsistence economy and the cumulative effect of living in dual worlds, halfway between primitive agriculture to disciplined wage labor and back again. This effect occurred rapidly, and disruptively. As a source of discontent, this disaffection from traditional ways could be harnessed as a potent force by newly educated leaders. British administrators focused more on the "happy and progressive development of rural agricultural communities and too little on what was happening under our noses in the big urban centres" (Allen 1980, p. 179).

The second "acid" was the introduction of a Western education system. Although largely begun by missionaries even before annexation, governments left education in religious hands.

Schools were teaching English history and literacy with governments taking over the more advanced and expensive activities in the form of higher education where young men would go to England for advanced education (as the Indian graduates had done before them). Here they would learn about civil liberties and observe a free political life. The Western education system provided tools of scientific education with which to attack alien rule and colonialism and to develop an awareness and conviction that they could shape their own destiny (Coleman 1954). However, on their return to their African homelands, the racial discrimination that they might have experienced in England and the USA was also present in their inability to find positions for which, by their own academic achievements, they considered themselves fit for. The Pan-African trans-territorial movements were led by Western elites who had, through their educational experience both in the United States and Britain, been stimulated by the ideas of West Indians of African descent living abroad (Marcus Garvey (Cronon 1955), W.E.B du Bois and George Podmore) and the emancipation movement of African Americans in 1922.

Factor 2: The Case of Nationalism in Colonial Africa (1952–1972)

The colonial countries of the empires of Britain, Belgium, the Netherlands, and Germany were preoccupied with gaining independence from colonial rule in the postwar period. The purpose of this movement was to "achieve absolute, social and political equality and local autonomy within a broader European-African grouping (French and Portuguese Africa) within what is a manifestly plural society" (Coleman 1954, p. 407). Coleman (1954) was referring to the African continent in this context. Empires were more trouble than they were worth during the period 1957–1965. In terms of costs of administration, particularly in postwar Britain, which was preoccupied with reconstruction and nationalization of key industries; the costs of administration born by the Colonial Office were progressively burdensome. Some 27 former colonies in Asia, African, and the Caribbean became independent during this period (Coleman 1954). It is here suggested that the preoccupation with nationalist movements both from the perspective of the pro-national independence movements and that of the colonial powers meant that little attention was paid to economic development. The rise of nationalism in tropical Africa needs to be understood in light of the (in historic terms) somewhat brief tenure of the colonial European powers in the continent. Whereas developed economies in the West had gone through a process of commercialization, industrialization, social mobility, and the establishment of democracies which spanned several centuries, the history of the colonization, de-colonization, and subsequent establishment of weakly-held democracies endured for merely a century. A British administrator (Allen 1980) equated the single party state with military dictatorships, both being as distinctly distasteful. These dictatorships (with their later attendant inter-tribal atrocities) were too much like the fascism which troubled Europe in the 1930s.

Anti-imperialism sentiments expressed by Roosevelt and Willkie and Africans living in the United States also played a part in the awakening nationalism movement (Coleman 1954). The goal of influential leaders such as Nkrumah (Gold Coast) Aggrey, Eyo Ita, and Azikiwe in Nigeria was to create a global consciousness and unity to agitate for advancement of the welfare of the members of the African race, wherever they may be and devising plans for future nationalistic activity in specific regions. This development sowed the seeds of incipient nationalism whereby individuals such as Nkrumah in Ghana (which became independent in 1957) could mobilize the masses and organize the new discontents into a movement for self-government, turning against Britain her own political and judicial weapons (Hodgkin 1956). Uncompromising demands, mobilizing parties, by appealing to the people in the towns and villages, the growing threat of force, and attempts by the British government to contain the negotiations came to naught. Even when imprisoned, Nkrumah was allowed to stand for election and, being elected, immediately assumed power.

In West Africa, a policy of identity was carried out by representatives of the British colonial service. For humanitarian reasons, in the aftermath of the antislavery movement, the policy was to regard all men as the same. Here, while British citizenship was given, English law established, and incipient legislative and municipal councils were established in coastal footholds, it did not overcome the problem of governance of the large population in the interior. Here, F.D Lugard, later Lord Lugard (1926; Perham 1963), applied an indirect rule or the dual mandate policy to Nigeria, which had ruled the protectorates in British India (North-West Frontier). Lugard linked native systems closely with British administration, adjusted to all sizes and types of African society, "defining the exact measure of administration and judicial authority to each" (Perham 1963, p. 41). As a bottom-up approach, indirect rule reflected an understanding of the limits of English power to control indigenous populations directly. Indirect rule, however, drew individuals out of their societies into central government, to wage labor, to work in offices, and to the growing towns – in effect, the urbanization of labor. For educated Africans, it led nowhere and the Colonial Service had no place for them. "'Africanization' provided the main stumbling block in every territory's progress towards self-government" (Allen 1980, p. 160). The failure to build up an indigenous executive cadre was widely recognized as perhaps the greatest error of colonial rule. This failure was largely due, in one of the former Governor's view (Sir James Robertson, a former Governor General of Nigeria (1955–1960), to not so much a lack of will, but a lack of imagination (Allen 1980). Promoting local officials to higher administrative posts was hampered by views that they would be unable to offer as good a service and as good administration as they had from British Officers. Despite attempts at further inclusiveness by nominating or elected African members to legislative Councils – a gradual move in the direction of the English local government model – it was insufficient to offer a solution to the ambitions of the educated elite, with future political hopes for their territories: ultimately independence.

On the one hand, the British administrators were trying to preserve and control tribal societies and on the other hand, it was opening it up to economic forces which would eventually undermine it (Perham 1963). However, it would be naïve to think that the British had not already thought of decolonization as a part of their colonial policy. The Durham formula had been developed in 1838 to reconcile the differences between English speaking settlers in Upper Canada and French speakers in Quebec. In the nineteenth century, the Durham formula emerged as a solution to the demands for home rule posed by various extensions of the home country. It was a response the potential failure of policy (Coleman 1954).

The French move towards independence for its former colonies was moderated by the notion of faith in universal human reason and unity through government, law, and culture, offering citizenship to the assimilated, and the same chances of political inclusion and education, in effect becoming citizens of France. France with her ideas of centralization, and her belief in equality, had little respect for tribal hierarchy and custom (Hodgkin 1956; Perham 1963). The colonies (even after independence) were described as the Rassemblement Démocratique Africain and benefitted from continuing and considerable financial assistance, economic and staff privileges. The Portuguese favored the “spiritual assimilation of the Africans” (Hodgkin 1956, p. 50).

The outcome for the former Belgian economies was less happy. Vast areas were taken over in the name of King Leopold of Belgium for whom it was originally a private estate (Coleman 1954). The imposition of European power over it did not even “provide that fragile basis for the future co-operation of disparate tribes which a Western elite, native representation at the centre and the freedom to create a native press and parties, had given to the British territories” (Perham 1963, p. 113). While Belgium had followed policies of assimilation and identity (in part due to the presence of a settled white population (Coleman 1954)), it had not prepared its territory adequately for independence and the speed and nationalist assertion created a foundation-less movement which appeared in a matter of months (fuelled by nationalist assertions in a wave of liberation in nearby states). The crisis in 1959–1960 engineered by the intransigence of Patrice Lumumba led to the demotion, dispossession, ill-treatment, and expulsion of former officials and colonials associated with the former regime.

Lumumba called for United Nations aid to no avail and turned to the Soviet Union for military intervention, with the Congo thus caught in Cold War politics, and Lumumba being perceived by the USA as having communist ties. The country then fell under military leadership led by Joseph Motubu, and Lumumba was taken to Katanga (a Belgian fortified secession under military rule) and subsequently tortured and assassinated. Motubu Seko became the military dictator of the Democratic Republic of the Congo from 1965 to 1977, renaming it Zaire in 1977. His brutal legacy epitomized the broken framework of a colonial state, ending in corruption and chaos (Clark 2002). Political ambitions rather than a political future led to political authoritarianism and patrimonial predatory practices. Kenya (the former East Africa) from the brutal Mau Mau rebellion in 1952 where land was the initiating issue, made Administrators such as Sir Frank Lloyd (cited in Allen 1980) realize that the Africans had enormous power should they wish to use it. The same issues appeared in Rhodesia (later renamed Zimbabwe), where settlers wanted independence on their own terms, leading to their Unilateral Declaration of Independence (UDI) in 1965 after a protracted war between the European settlers and the local people (supported by insurgents). Zimbabwe achieved independence in 1980 led by Robert Mugabe who was to retain the Presidency for three decades. In this mix was the position of European settlers who could be described in these colonial quasi-segments of society. They were totally dependent on the official sanctions and support from imperial powers and had to contend with religious authorities such as missionary groups and a relatively mobile indigenous population whom they came to rely on as sources of labor.

Factor 3: Economic Factors in Africa (1952–1972)

Why did entrepreneurship, which could have, as it did in developed economies in the eighteenth century, fail to provide a catalyst for economic growth in former colonies? A retrospective review of the main events and trends affecting food and agriculture, over the last 50 years, drawing on the annual series of *The State of Food and Agriculture*, first published in 1947 by the Food and Agriculture Organization (FAO), provides clues (www.fao.org). WW2 had a profound effect on agriculture – world agricultural production was 5% below prewar levels.

However, regional disparities in these impacts were particularly evident in the case of Asia and Africa. Indeed, Africa was perceived to be a comparatively empty continent with potential for increased production. Demand was strong for many of its agricultural commodities and minerals and many territories were able to expand economic activity and agricultural production. The production of industrial crops, notably cotton and sisal, expanded faster than food crops. Although it was an economically less advanced region, economic and social development was only a matter of time. Indeed, hopes were expressed that Africa would become to Europe what the West was to the United States in the latter half of the nineteenth century. This view was the conventional one of the time and, when compared with the food situation in Asia in the post war period, not surprisingly the term "African hope-Asian drama" summed up the situation at the time (The State of Food and Agriculture 2000, p. 2). As reports for the late 1950s showed, Africa, under increasing urbanization, had areas of population density which were too high for the maintenance of soil fertility under shifting cultivation. Its forest cover was being destroyed, with serious consequences for its soil and water resources (ibid., p. 27). In the late 1960s the "alleviation of poverty" became the central concern of economic development with rural areas of agricultural production being the lagging sector relative to industry. Various institutional studies during the 1960s highlighted the problems of poverty and inequalities of distribution in the international arena (such as the World Food Program in 1961 and the World Food Congress in 1962 (The State of Food and Agriculture 1962). This "basic needs" approach became the subject of debate in the economics and development arena. Neo-classical economists claimed to have rediscovered agriculture and claimed that freer markets, a more liberal trade regime, and a growing agricultural economy would be conducive to economic growth. Agricultural growth and exports would and did respond to incentives (or disincentives). Despite these views, agriculture never appeared on the agenda of the Kennedy Round of tariff negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), concluded in 1967.

The neo-classical agenda was opposed by structuralists – strong supporters of the import-substitution industrialization – including social scientists from the United Nations Economic Commission for Latin America (ECLA). Having long opposed the theory of comparative advantage, they argued that emerging economies were not advantaged by specializing and exporting primary and agricultural products when industrialized nations were exporting manufactured goods with greater value added. Although not directly entering into the debate, the FAO remained faithful to agriculture's potential contribution to overall economic development. The United Nations Conference on Trade and Development (UNCTAD) established in 1964 was to serve as an agent of accelerated development and aimed to raise the export earnings of emerging economies (UNCTAD 1968). In its second session in 1968, UNCTAD focused on the issues of access of primary commodities to markets in industrialized countries, volume, terms, and conditions for development aid, and economic integration and cooperation among emerging economies. UNCTAD was also instrumental in negotiating international commodity agreements, such as the extension of the International Sugar Agreement for a period of 5 years from 1969. It had lapsed since 1961.

Other food and nonfood commodity agreements were negotiated with varying degrees of success. FAO favored commodity-by-commodity approaches as being more practical rather than UNCTAD's plan of having world commodity agreements. For resource-rich countries in Africa, emphasis was placed on extractive industries, such as coffee and cocoa, rice, sugar, and cotton, so they became monoculture (commodity or mineral) exporters. On a continent of household-based agrarian economies with very limited long-distance trade, colonialism imposed cash-crop production for export, and mineral extraction, with manufacturing supposed to come later (Saul and Leys 1999). Seventy-five percent of the land of the Gold Coast (subsequently Ghana) was used for commercial production between 1947 and 1950. Africa changed from a subsistence to a money economy promoting the cash nexus of economic individualism – weakening the communal and lineage responsibility of traditional ties. As the economies became more urbanized, the pool of wage labor grew (Coleman 1954), leading to the rise of a new middle class, with opportunities for western education and social mobility. However, educational gains were directed to farmers employing labor, individual traders, lorry drivers and middlemen, and for the elite, the desiderata was a career as a doctor or a lawyer. The conditions for the development of an entrepreneurial ecosystem were simply not in place in these newly independent countries. They either stayed with the economic systems set in place by colonists, or they took the route of state-led industrialization. Bonné (1956, p. 6) exhibited remarkable prescience stating that "development in colonial or dependent areas is a special case of capitalist expansion." By this remark, he would have been referring to capital required from developed countries to invest in plantations, provide managerial skills, and access to markets, or in the case of mineral exploitation the technological capabilities to needed for extraction of resources and development of supply chains. But Bonné (1956, p. 10) believed that that entrepreneurship in the underdeveloped countries could be promoted by "semi-public or public bodies." He was never apparently aware of the British Colonial Development Corporation (CDC), established by the Colonial Office in 1948, as a "pump primer" for colonial investment (either private or public) (Wicker 1955). The CDC raised capital by way of loans and fixed interest rates. They then made equity investments which carried no obligation to return proceeds to the CDC.

Failed ventures such as the Gambian egg producing project (begun in 1948 and abandoned in 1950) owed not a little to the propensity of the CDC not to undertake pilot studies or test markets to prove commercial viability. Investments in tea and fish farming in Zambia and sugar in Swaziland yielded a return on capital of 8–9%, not the 20% return which private investor consortia such as Barclays Overseas Development Corporation would expect. They, Barclays, were more profitable and had less staff whereas the CDC was burdened with by bureaucracy, having to both satisfy the Colonial Office as to the effectiveness of their administration as well as to manage the investments locally. Development goals sat uneasily with bureaucratic tendencies. "The CDC had no inclination to pursue industrialization" (Cowen 1984, p. 64). After decolonization in the African states, the CDC continued to provide finance for African governments for the nationalization of large agricultural estates (formerly privately owned by foreign investors) and promoted small holding schemes (such as tea planting in East Africa). However, although farmers' incomes increased, the liabilities assumed by newly nationalized governments contributed to the crises of public finances of many African countries. Routine or low-level entrepreneurship such as wood processing, metal working, or handicrafts did not develop beyond the level whereby innovation in products and processes by the individual entrepreneur would have a transformative effect on the local economy. The resources in mining, tobacco, chromium, asbestos, and coal deposits were based on British and American capital, without which neither the technological expertise to extract the resources nor the access to markets to sell the resources would have been possible, as the nationalization of the copper mines in Zambia in 1969 was to prove. Myrdal (1968) criticized the "soft state," but his critique has been misunderstood. Their softness lies in their unwillingness to coerce in order to implement declared policy goals, and to resist the hard local power of caste, land, and culture. It is not the result of gentleness or weakness, but reflects the power structure and a gap between real and professed intentions.

Summary: Developing an Explanatory Framework

Entrepreneurship failed to emerge in colonial Africa during the period 1952–1972 because of three interrelated explanatory factors. First, the political situation in African countries of this time: the liquidation of European colonial power in the former colonies in Africa and South East Asia, which happened over the relatively short decade from the 1950s to the 1970s. Second, the economic conditions which prevailed as Africa, as a resource-rich country, continued to rely on the wealth of resource extraction. Third, rationalism in Europe paved the way for an industrial revolution, but did not do so in Africa. The countries are marked by heterogeneity but these factors have the same degree of interrelatedness. Nevertheless, it is the first factor, the political conditions in Africa, which is a factor which has been largely overlooked by developmental economists writing in this period have been shown helps explain the entrepreneurial void in former colonies at this time. Figure 1 summarizes this point by showing how these factors contributed to the entrepreneurial void.

Thus, the historical analysis has synthesized, integrated, and explained the events that happened in the past. The extant development economists exhibited largely prescriptive views during the chapter’s study period and said what should happen in emerging economies but largely ignored the ongoing political situation regarding the liquidation of colonial empires. This chapter offers new objective insights based on historical analysis and synthesis from the contemporary literature of the selected time period, rather than drawing on post hoc subjective and ahistorical literature that lacks the explanatory power of this chapter’s historical approach. The explanatory framework and narrative historical synthesis analysis of why entrepreneurship failed

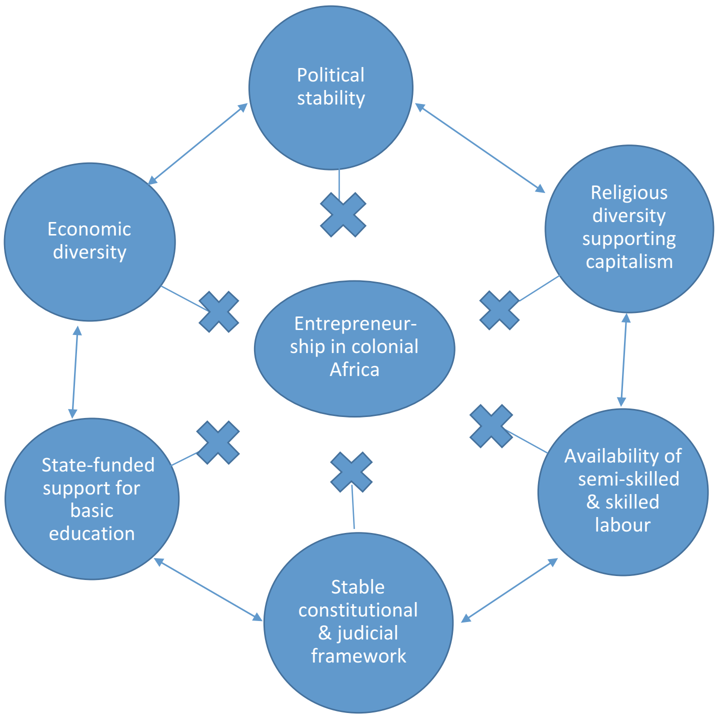

Fig. 1 Institutional Factors required for entrepreneurship to emerge. (Source: authors). **Note:** The interrelated institutional factors which are necessary for the development of entrepreneurship are shown below. In the absence of these factors (shown by the truncated lines), entrepreneurship in “colonial” Africa (1952–1972) simply could not emerge. Without these truncations, the framework can be used to describe the emergence of entrepreneurship in developed economies

to emerge in colonial Africa at this time hopefully goes some way towards addressing critical research gaps.

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Part X

Different Experiences: Asia, Latin America, and the Pacific

Introduction: Management Heterogeneity in Asia

56

Anthony M. Gould

Contents

Abstract

This chapter introduces the concept of diversity as it applies to Asia. It argues that, throughout the twentieth century, Asia was best thought of as a mix of jurisdictions with little in common other than shared geography. In prosecuting its case, the chapter implicitly proposes, insofar as approaches to management and governance are concerned, a thesis of partial regional convergence in the digital-age era. However, the bulk of the chapter's narrative is about distinct jurisdictions. As such, the work does not devote substantial analytic attention to convergence but rather gives a thumbnail sketch of the management blueprints of exemplar countries as a means of creating context for this volume's other more focused chapters, the next of which does pertain to convergence. Another key objective is to introduce subsequent chapters in this volume that, following

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▶ Chap. 57, "The Perfect Natural Experiment: Asia and the Convergence Debate," address in detail management philosophy and practice in individual Asian countries.

Keywords

Demming · Asian Tigers · Australian management · Japanese management · Korean management · New Zealand · Indian management · China

Introduction: The Quest to Understand Asian Heterogeneity

The region of Asia, however defined, is the most culturally, economically, and socially heterogeneous swathe of the world. Much of the reason for the area's multi-dimensional diversity concerns history. Specifically, Asia is a collection of countries/jurisdictions that, despite sharing geography, developed under largely nonoverlapping influences. In the face of this kind of miscellany, it is unsurprising that various taxonomies have been created that wrestle with the problem of how best to group the region's subareas/countries for purposes of characterizing the Asian construct (e.g., Thelan 2014; Katz and Darbishire 2000; Hofstede 1980/2003). In light of this context, classificatory schemes tend to be conceptually inadequate, or at least not robust. Indeed, to be applied, they often require the making of multiple assumptions and qualifications. Such malaise is exacerbated when proposed schemes categorize countries based on an unduly narrow object of analytic interest, or (relatedly) when it is difficult to reach consensus concerning an appropriate investigative focus. For example, when inquiring into management or employment relations-related content, the region is often conceptualized as encompassing the following five categories (e.g., Bamber and Leggett 2001; Bamber and Davis 2001)[1].

(i) The Western liberal-democratic regulated market economies of Australia and New Zealand
(ii) Japan
(iii) The Asian Tigers (or "four little dragon countries") of Hong Kong, Singapore, Taiwan and South Korea
(iv) China
(v) Indonesia

As noted, the aforementioned five-category view of Asian diversity establishes management or employment relations-related concerns as the basis for national classification. However, when the object of scholarly interest is broadened in its

[1]For exposition purposes, these categories are somewhat cut-down in nature and thus exclude from consideration important countries on the edge of the region such as India – and Indian subcontinent countries such as Bangladesh, Pakistan, and Sri Lanka – and economically smaller countries within Asia – such as Malaysia, Myanmar (formerly Burma), Laos, the Philippines, and Vietnam.

scope – for example, when the analyst is considering, say, economic development status – another regional grouping option suggests itself as well reflecting reality (e.g., Thelan 2014; Bamber et al. 2016). In this regard, in the digital age era,

- Countries such as China, India, and Indonesia are sometimes lumped together as either industrializing or "recently industrialized."
- The Asian Tigers remain an identifiable subset because they are viewed as having entered the industrial age in lockstep during the 1960s, and as each having had parallel good financial fortune until East Asia's economic crisis of 1997.
- Japan retains its single-country category status due to it being the first nation to industrialize in a distinctively Asian way, during the 1950s; thus being separated (in time) from the Tigers.
- The Western country category comprising Australia and New Zealand remains intact on the basis that its constituent jurisdictions have had steady economic and social development throughout the twentieth century.

While still on the question of how best to make sense of diversity in the Asian region (and the associated categorization problem), in circumstances where dimensions such as religious orientation, degree of embrace of a Western-style construct of human rights, or cultural/social elements are instituted as classificatory criteria, other analytic categories seem germane (e.g., Hofstede 1980/2003; Jackson 2002; Gerhart 2008). For example, when the pervasive lifestyle influences of faith/religion is established as consequential, the comparative analyst can confidently defend juxtaposing Indonesia (the largest exemplar Muslim country in the world) with China (until relatively recently, the largest unambiguously Communist-regime country in the world). However, when the criteria used for sorting is embrace of human rights *à la* the enlightenment, it is perhaps appropriate to place China and Indonesia together on the basis that they are polar opposites to, say, Australia and New Zealand.

This chapter largely sets the stage for subsequent chapters in the present *tome*. It argues that, insofar as the problem of management is concerned, although Asia remains an exemplar of postindustrial diversity, as is the case elsewhere in the world, its constituent countries are yielding to globalization's homogenizing influences. In this sense, nations are largely jettisoning twentieth-century ideological orientations that came to characterize their cultures generally and their approaches to labor and capital superintendence, in particular. Hence, whether it be in the work-arena or society more broadly, some overarching conclusions about Asian jurisdictions during the industrial age provide context for what follows. In particular, Australia was the irreverent place of subsidized affluence and the fair go (and, as will be shown by Andrew Cardow and William Wilson in ▶ Chap. 62, "Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand" of this volume, ditto for New Zealand). By contrast, Japan is the place where postwar recovery was achieved through forbearance, conscientiousness, and self-improvement was established in a *milieu* of according respect through allowing participation in consequential decision making. As "second-order" imitators, Asian tiger countries experienced something of an identity crisis. In the 1960s – and 1970s – they changed their orientation from militaristic command and control-style authoritarian regimes to being clever, single-minded, and outwardly looking liberal market economies, trailing somewhat in the wake of Japan that had made a similar transition 10 years earlier. Very dissimilarly, late twentieth-century Red China was locked-down, inward looking and controlling of its citizenry (qualities of the country comprehensively analyzed by Leung in ► Chaps. 59, "The Making of a Docile Working Class in Pre-reform China," and ► 60, "Governmentality and the Chinese Workers in China's Contemporary Thought Management System" of this volume), whereas Indonesia during the same period was, bellicose, austere and with limited instantiation of a western human rights construct, and simultaneously the largest Muslim country in the world.

It is noteworthy that this chapter does not dwell extensively on the convergence issue: a mission left for the next, which is essentially an exposition of relevant theory examined using an historical lens (accompanied by some discussion of how such theory illuminates understanding of Asia). Rather, in its five key sections, the present chapter is principally jurisdictional. As such, it addresses the practice of management and its undergirding philosophy in exemplar Asian nations, mostly during the twentieth century. Somewhat frustratingly, the chapter cannot be comprehensive, in terms of either the nations it covers or the depth it devotes to each. Instead, it has the twin objectives of: (i) revealing the nature and character of idiosyncratic management blueprints for identified countries and (ii) providing a liberal education as prelude for the more specialized chapters that will follow. Insofar as these subsequent chapters are concerned, one – Carlos Davila's contribution addressing Latin American history during the last 150 years – is not about Asia in a strict geographic sense. Rather, his discussion of a cluster of unambiguously non-Western countries on the other side of the Pacific is intended to enlarge the construct of Asia and, more particularly, allow the analyst to test Chap. 2's theory which, as will be discussed, was mostly intended to be generic.

The next chapters in this volume are:

- ► Chapter 57, "The Perfect Natural Experiment: Asia and the Convergence Debate," authored by myself, Anthony M Gould from Laval University in Quebec City Canada, addressing the convergence debate generally and as it pertains to the Asian case specifically.
- ► Chapter 58, "Indian Management (?): A Modernization Experiment," by Nimruji Jammulamadaka from the Indian Institute of Management in Kolkata that addresses India, a large emerging liberal market economy and one not dealt with (in resume form) in this chapter. In this work, Jammulamadaka makes a compelling case concerning the emergence of an Indian management blueprint under the influence of distinctively Western elements that were, initially a colonialist British stimulus and, after 1947, a postcolonial American stimulus.
- ► Chapters 59, "The Making of a Docile Working Class in Pre-reform China," and ► 60, "Governmentality and the Chinese Workers in China's Contemporary Thought Management System," by Elly Leung from the University of Western Australia are each focused examinations of China's circumstances. In these

essays, Leung argues that the twentieth-century blueprint philosophy of Chinese management is one of control and coercion. In making her case, she gives a nuanced view of relevant history. In so doing, she fleshes out the overview of China given in this chapter.

- ► Chapter 61, "In Search of the Traces of the History of Management in Latin America, 1870–2020," by Carlos Davila from *Univeridada de los Andes* in Bogata Colombia is about the Latin American blueprint for management. As noted, although not strictly part of Asia's geography, the theoretical contribution of this work, and in particular, its discussion of three regional approaches, enlarges the Asian construct.
- ► Chapter 62, "Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand," by Andrew Cardow and William Wilson, is about the evolving New Zealand blueprint. In reflecting on this essay, the reader will see synergy between the material being discussed and the more truncated discussion of the region's other Western liberal market economy, Australia, which is dealt with (in summary form) in this chapter.
- ► Chapter 63, "Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter," is by Bradley Bowden from Griffith University in Queensland, Australia. This essay is essentially a case study of the wealthy Hunter Valley to the North of Sydney. The piece's insights are instructive for the student of management history. They pertain to themes of forced transition and letting-go of affluence. As such, they illuminate understanding of the broader Australian context and, ultimately, have wide-ranging theoretical implications.

The remainder of the substantive part of this chapter is an overview of the recent historical circumstances of subregions of Asia. The five countries briefly examined are Australia, Japan, South Korea, China, and Indonesia. Because the focus of the book series is management, the first aforementioned taxonomic scheme – that which classifies mostly on the basis of how this issue, in particular, is dealt with in sub-regions – is used to structure these discussions. As noted, for practical reasons, it has not been possible to cover all relevant countries in this chapter or to address selected countries in appropriate depth. Hence, consistent with the eight-chapter structure described above, material has been selected because it has been judged representative and contextualizing for the rest of this volume.

A Recent History of Management in Each of Asia's Subregions

The Western Liberal-Democratic Regulated Market Economies of Australia and New Zealand

Throughout the twentieth century and until the 1980s, Asia's liberal democratic countries of Australia and New Zealand introduced, incrementally, management and employment-relations polices and established institutions that, almost without exception, conferred, rights and benefits on employees. During this reference period, such advantage mostly accrued under the influence of employee protest activity (and progressively elaborated public policy allowing for its expression), an active and broadly based union movement that controlled electorally successful labor political parties, migration policies instituted to sustain and enhance employment conditions for locals, and the early establishment of independent arbitration systems (Gould 2010, 2014). Each country's approach arose in a context of: relative affluence; industry tariff protection and subsidies; a distinctively Western construct of human rights; and, rejection of European-style class structures. However, under the influence of conservative and labor federal governments, from the 1980s onwards both Australia and New Zealand dismantled much of their worker-friendly regulatory and institutional apparatus. From approximately this time, each has embraced, relatively quickly, a culture of decentralized and somewhat more individualised workplace bargaining over terms and conditions of employment including pay, edged-out union influence and weakened the regulatory authority of labor-related state-based institutions (particularly quasi-judicial institutions such as employment tribunals and arbitration commissions). The purported benefits of such a metamorphosis are frequently touted as being increased flexibility for parties to the employment relationship and productivity enhancement. More broadly, in the digital era, both Australia and New Zealand have brazenly pursued as public policy priorities international commercial competitive objectives and sought to better integrate their economies into the global system (Katz and Darbishire 2000). In practice, this mostly entailed a strategy of national regional integration, thus privileging geography (i.e., alliances with other Asian countries) over history (i.e., each nation's European colonial heritages).

For exposition purposes, in this section, key elements of Australia's approach to management are described and discussed. As noted, much of the philosophy underpinning Australia's twentieth-century national management and employment relations system also existed in New Zealand (Gould 2014).

Since Australia's Federation in 1901 and until the latter part of the Hawke/Keating Labor-government administrations of the mid 1990s, key facets of the nation's public policy progressively but conspicuously embraced welfare and support for the disadvantaged and a distinctively non-European form of egalitarianism. Indeed, in a context where the majority of Australia's first immigrants were Irish and had often been deported following conviction for petty crimes, the fair-go philosophy that came to epitomize the Australian way of resolving problems is perhaps best interpreted as a reaction against Britain's class system. Insofar as the workplace management problem is concerned, it is likely also that union and strike activity of the 1890s left an enduring legacy. Largely due to these influences, despite long periods of conservative government in the twentieth century, a pluralist view of the relationship between capital and labor became the basis for the Australian philosophy, a philosophy that was incrementally instantiated with the creation of a system based on labor market and workplace regulation (Gould 2010). In these circumstances, early in the piece, a view emerged that a "living wage" should form the basis of an enlightened approach to worker remuneration. This construct was defined in 1907 by Justice Higgins in the Harvester case as "*the amount a family needs to live in frugal comfort*" (Martyn 2005).

Aside from the impact of the living wage, four specific influences shaped the character of Australian management and employment relations in the twentieth century (Gould 2014). First, the 1904 Conciliation and Arbitration Act made third party arbitration compulsory and the orthodoxy for resolving conflict between capital and labor. This statute established the Conciliation and Arbitration Court (later the Industrial Relations Commission) as independent of executive government and with power to create industrial awards that prescribed minimum employment terms and conditions, including pay-rates, and intervene in employment disputes. In practice, tribunal decisions, although technically arbitrated solutions, often had the hallmarks of collectively negotiated agreements in that they met with the consent of employers and union officials (Chin 2005; Gould 2010, 2014). Second, the federal government pursued a racially discriminatory immigration policy as a means of limiting supply of labor. Part of the intent here was to maintain low unemployment. Indeed, between 1901 and the end of the Vietnam war in 1973, successive Australian governments adopted the conspicuously anti-Asian and Pro-European *White Australia Policy* (Bamber and Davis 2001). Third, manufacturing was protected by tariffs and trade embargos. This arrangement effectively established the nation's lucrative agricultural and mining sectors as cash cows to be used for subsidizing less competitive industries that were concerned with manufacturing consumer goods for the domestic market. In such a context of relative affluence, using a process known as centralized wage fixation, the Conciliation and Arbitration Court (later the Industrial Relations Commission) mostly embraced the principle of comparative wage justice when tinkering with award remuneration provisions (Gould 2010). In this process, consideration of employer capacity to pay and firm commercial performance was theoretically a relevant input. However, in practice, these concerns were largely irrelevant, or at least of a much lower priority status than the imperative of across the board wage parity. Fourth, Australia's trade union movement was sophisticated and benefited from high levels of institutional legitimacy. Specifically, the nation's organized labor has always differed from, for example, that of the United States because it has a centralized corporate structure and an active and successful political arm, the Australian Labor Party (Gould 2010). Union density in the Australian workforce was mostly over 50% throughout the first half of the twentieth century, reaching a peak of 65% in 1953 (Bamber and Davis 2001). In the years between 1970 and 1980, 25% of Australia's workforce took industrial protest action (Briggs 2005). In the twentieth century, the Australian Labor Party (ALP) formed governments in the federal parliament during the periods 1929–1931, 1941–1949, 1972–1975, and 1983–1996 and had been successful in winning control of the legislatures of each Australian State.

A key watershed in the Australian management blueprint came with the election of the conservative John Howard Liberal/National party coalition administration in 1996 (and, in particular, its subsequent re-election in 2005). Although, as noted, some of the substance of the altered course in fact originated in the years immediately preceding Howard's election, it was really as a result of the priorities of the incoming government that the nation began to embrace earnestly a philosophy of workplace deregulation and decentralized wage negotiations (Gould 2010). Specific changes made during the era include a jettisoning (or at least deemphasizing) of minimum (award) wage provisions, unfair dismissal laws, compulsory arbitration, the "no disadvantage test" in employment negotiations, and a central role for unions and collective bargaining.

Japan

Unlike Australia and New Zealand, Japan has not had a history of import tariffs, government industry subsidies, or large agricultural and commodities sectors. Rather, following its widespread devastation during the Second World War, it cultivated manufacturing as a seminal element of reconstruction. From the outset, the notion of national industry subsidies and institutional support was not part of the Japanese recovery blueprint. Instead, to foster prosperity, the nation developed distinctive human resource management principles such as jobs for life, and team and committee systems that blur boundaries between management and non-management work. Insofar as globalization is concerned, Japan – as part of its postwar explicit emphasis on being economically self-sustaining – has the special status of being the first Asian country to be ruthless in adopting an export focus. In this vein, as part of its industrial culture, it embraced a national second-mover advantage strategy as a means of expanding into international markets (essentially copying, but having learnt from competitors' mistakes). In this sense, management theorists typically conceive of Japan's approach to employment relations as something of a reference-point (e.g., Barry and Wilkinson 2011). Thus, in several contexts but particularly insofar as employment relations is concerned, its single country status category is often orthodoxy.

Commencing soon after the Second World War, and continuing until 2006, the business-oriented Liberal Democratic Party mostly governed Japan. In contrast to other Asian countries, the national Japanese approach to management and employment relations was established early during this era and has not substantially altered (Katz and Darbishire 2000). Indeed, the defining elements of the nation's system identified in this section continue to operate, albeit, as will be described, somewhat modulated by globalization-related influences, including in particular a less prominent state regulatory role. In this regard, in the twenty-first century as Japan's industries transitioned incrementally into a new era of restructure and renaissance and emerged from their period of creation and growth during the years of the Japanese Economic Miracle, the new management imperative became to privilege labor flexibility over the inculcation of workforce commitment.

As noted, the history of modern Japanese management unambiguously begins soon after the Second World War. Specifically, in the late 1940s and early 1950s during the aftermath period of Japan's physical and psychological devastation, the nation's products were of poor-quality and often the butt of jokes. As part of the reconstruction effort, the United States assisted its former adversary's war-ravaged commercial-sector to promote corporate and national cultures of product enhancement (Inkster 2001). William Edwards Deming was a prominent theorist and consultant in this effort. He used *statistical process control* to identify product variation as a means of bettering quality. Along the way, he may also have influenced broader issues of people management and, in particular despite being American, unwittingly become a seminal figure in establishing a distinctively Japanese approach to inculcating employee commitment and loyalty. Specifically, he proposed "14 key principles for improving management practice" including to: "*remove barriers that stand between the hourly worker and his right to pride of workmanship"* (principle 12) and "*institute a vigorous program of education and retraining"* (principle 13) (Deming 2000). In the wake of Deming's influence, the Japanese management approach came to have several characteristics. This section delineates and describes the four most consequential of these.

First – and most frequently noted – in postwar Japan there existed the principle of a job for life or the understanding that an employee can commence with a firm and receive employment continuity until their retirement. The extent to which such a prescription was ever adopted is a somewhat contested subject. Specifically, recent conjecture about Japanese workforce participation indicates that long-term employment guarantees were rarely offered to women, minorities, workers in small firms, or those who failed in education or in their first job (Hanami 2004, p. 10). However, regardless of whether such a benefit is – or ever was – universal, the phenomenon itself has been bolstered since 1961 by at least 100 case law decisions as well as the custom and practice of high-profile Japanese industries including those in the auto-manufacturing, telecommunications, and electronics sectors (Tackney 2000; Suzuki et al. 2016). Promotion on the basis of seniority is an element of the philosophy of lifetime employment.

Another controversy concerning jobs for life in Japan concerns how best to interpret the meaning of the construct and/or expose its underpinning philosophy. In the debate on these matters, one distinction is between institutionalists and those who emphasis strategy, pragmatism, and commercial competitive advantage. Abegglen (1959), who first used the term "lifetime employment," is a proponent of the former of these theses. Writing soon after the war, he argued that loyalty is an especially conspicuous element of Japanese culture. Insofar as the world of management and employment is concerned, work-related institutions (including often those that are state-sponsored) instantiate the value of devotion through promoting and sustaining job continuity, irrespective of whether an enterprise is commercially competitive. Another early advocate of this general idea is Gordon (1985) who, possibly because he entered the debate later, argued that during Japan's postwar reconstruction effort, the nation's culture, state-sponsored structures and agencies, and employment patterns changed to embrace new values. Whatever the case, as one of their defining characteristics, institutionalist arguments about lifetime employment depict the phenomena as a distinctively Japanese resolution to the problem of conflict between capital and labor (Tackney 2000; Suzuki et al. 2016).

In contrast to institutionalists, some management history scholars examining the case of Japan depict strategic competitive advantage as a critical cause of lifetime employment. This *genre* emphasizes a contingency perspective. Specifically, it portrays successful Japanese firms as being especially good at adapting – often more rapidly than their Western counterparts – in response to broader economic circumstances. For example, Aoki (1987, 1988) used the term *J-firm* to describe major postwar companies such as JVC (Japan Victor Corporation), Sony, and Toyota that embraced an HRM-perspective of the employment relationship. He thus drew attention to the possibility that the nation's corporate culture is one of team-work, creation, and application of methods for promoting employee commitment and, ultimately in a more overarching sense, a focus on aspects of the employment relationship where the interests of each party are aligned[2]. Another strategy perspective on jobs for life has come to be known as *White-Collarisation* (e.g., Kaoki 1991, 1995). This view portrays the phenomenon as an integral part of employee inclusion. Specifically, it suggests that to gain commercial advantage, Japanese managers create structures for shop-floor workers to participate in decision-making, a characteristic that is identified as the country's second defining element of its national approach to employee superintendence.

A second feature of Japan's approach to management and employment relations is participatory decision-making and embrace of employee inclusion in matters of firm governance. This aspect of postwar Japanese corporate life was transplanted from the German system that uses works councils and co-determination schemes (Keller and Kirsch 2016). To implement the strategy, since 1946 collective agreements in Japan have typically provided a formal means for employees to become part of consequential firm decision making (Tackney 2000; Gould 2014; Suzuki et al. 2016). In practice, such input mostly occurs through a "joint-committee" system. For example, there are often "on-line"[3] forums, known as quality-circles, which exist to improve performance within a workgroup as well as "offline" committees which may span teams and typically operate on an ad hoc basis (Katz and Darbishire 2000). It is noteworthy that, for several decades, some Japanese firms have instituted structures allowing participation and inclusion opportunities for non unionized employees.

A third element of the Japanese management blueprint concerns organized labor and, by Western standards, the narrow role played by unions. Specifically, Japanese unions exist mostly to promote and sustain lifetime employment and worker participation arrangements (Suzuki et al. 2016). Unlike in the West, they are thus somewhat elitist institutions (Gould 2014). To fulfill their nationally distinctive function, they are typically enterprise based. As such, most unionized Japanese employees are long-term personnel working in larger firms. For example, Hanami (2004) found that the unionization rate at firms with fewer than 100 employees is less than 1.3% compared with 20% overall. In recent years, similar results have been reported (Suzuki et al. 2016). In 2002, the country's main labor federation, *Rengo*, (Japanese Trade Union Confederation) established an evaluation team to review critically union philosophy and practice. The committee concluded that organized labor in Japan unduly emphasizes the interests of privileged male employees and

[2]As distinct from its national culture, which as noted, is the analytic preoccupation of institutionalists.

[3]This term does not refer to use of the Internet.

inadequately assists the disadvantaged, including those without lifetime employment assurances (Hanami 2004).

The fourth noteworthy feature of Japanese employment relations is its distinctive legal framework. Specifically, the country's approach uses a civil legal system. As such, it relies on case law rather than the national legislature (Diet) to create employment and work-related norms (Suzuki et al. 2016; Gould 2014). One consequence of this system is that the country's anti-discrimination and equal opportunity protections have been weaker than those instituted elsewhere in the western hemisphere. In this regard, although Japan does have legislation addressing discriminatory treatment of women, the relevant act is inadequate because it does not cover the critical area of bias in recruitment and promotion (Suzuki et al. 2016; Tackney 2000). More broadly, it may be that reliance on judicial rulings to improve the lot of employees has perpetuated employment-related inequality and created a workplace underclass based on a distinction between those with safeguarded employment surety who have union representation and better working conditions and others (Hanami 2004, pp. 10–11). The former of these cohorts, those with lifetime employment, have substantial protection against employer abuse of their dismissal perogative due to an accumulation of Local, Regional and Supreme Court rulings.

During the 1990s, Japan experienced rising unemployment, falling domestic demand for consumer goods, and a growing services sector (Gould 2014; Suzuki et al. 2016). These factors prompted some revision of the nation's approach to employment relations and hastened certain labor market trends. In the latter part of the decade, despite an 18-month long national flirtation with the pro-union Socialist Party government, Japan became increasingly hard-edged in maintaining its international competiveness at the dawn of the digital age.[4] Indeed, since the 1990s aside from there being a trend towards a somewhat tougher stance against employer abusive dismissal, changes to the Japanese industry people management agenda boiled down to two related elements: labor market deregulation and greater diversity in employment contract arrangements and an associated diminished emphasis on unions and collective bargaining.

In the digital age, a conspicuous trend in Japanese management concerns the modern fete of lifetime employment. Specifically, irrespective of the extent to which such a phenomenon ever existed, there is evidence that the nation's employers are becoming less inclined to provide open-ended job assurances. For example, in the 10 years between 1992 and 2002, there was a 110% increase in the number of people employed on sunset clause contracts (Labor Force Survey 2002). The proportion of the part-time workforce increased from 10% in 1980 to 23% in 2001 (Hanami 2004). During the same reference period, the percentage of women workers has doubled and is now close to 40% (Hanami 2004). A consequence of these trends is that, by 2004, those employed on nonregular employment contracts

[4]Recall, that for most of the pro-war years, the Liberal Democratic government was aggressively pro-business in its orientation.

in Japan accounted for approximately one third of the entire workforce (Hanami 2004). Also during the digital age, unionization rates in Japan declined precipitously. For example, national density rates dropped from 28.9% to 20.7% between 1985 and 2001 (Hanami 2004). By 2005, the country's workforce union density had slipped further, to 18%. In the following 10 years, this edging-out trend has unambiguously continued (Suzuki et al. 2016). As has been the experience in other developed market economies, Japan's union leaders have had difficulty recruiting new members in the services and high-tech sectors. However, somewhat distinctive to the case of Japan, in the contemporary era officials from enterprise-based unions have been disinclined to sign-up members from new firms, largely for cultural reasons. Specifically, unlike their western counterparts, union delegates working in traditional J-firms view their affiliation with organized labor as a source of privilege and exclusivity (Gould 2014; Suzuki et al. 2016). The Japanese word for this construct – a word which has no Western equivalent – is "sei-sha-in" (Suzuki et al. 2016). As such, they (the union delegates) often attach little priority to increasing membership and may even resist the idea.

Aside from a patently lessened emphasis on lifetime employment, within modern Japan the twentieth-century management blueprint is evolving under the ubiquitous influence of international economic deregulation. In this regard, insofar as the labor market is concerned, two phenomena are conspicuous. First, there is a trend towards greater employment contract diversity. Specifically, unlike during the Japanese Economic Miracle years during which permanent employees mostly had a monopoly on overtime and shift arrangements, the current tendency is for labor demand surges to be managed using nonstandard workers. For example, Nekkei (2003) reported in 2003 that Japan's top 1000 companies, especially those operating in the nation's electronics industry (the third largest sector of the economy), were planning to recruit 7% fewer new graduates and increase by 9.3% limited-tenure and contract-based workers (Nekkei 2003). These labor market trends have intensified in recent years (Suzuki et al. 2016). Second, in the late 1990s, Japanese employers were increasingly augmenting seniority-based pay arrangements through embracing other approaches such as dividend apportionment for employees and individual merit evaluations (Katz and Darbishire 2000; Suzuki et al. 2016). Changes to pecuniary recognition strategies of these kinds, as a matter of orthodoxy hallmarks of a move towards individualism in the management of the employment relationship (e.g., Kaufman 2011), are an unambiguous influence on a widening salary gap within and across wage sectors.

In keeping with the institutional refurbishment experienced by most Western countries at the dawn of the digital age, in 1998, Japan updated its centerpiece work and employment legislation, the Labor Standards Act (1947). Following consultation with – and opposition from – unions, the national parliament (Diet) sanctioned an amendment bill that set the stage for workplace deregulation. In practice, this revision gave employers an option to offer certain worker classes 3 year rather than standard employment contracts. Another, somewhat cosmetic, adjustment was that employers would henceforth be required to provide explanation certificates to employees receiving severance. In theory, such an onus was an employee concession in the wage-effort exchange and would likely aid judges who may subsequently be obliged to make decisions about whether employers acted justly. Alternatively, the formalized giving of reasons for employment termination may be interpreted as a means of placating unions engaged in defending the remnants of the lifetime tenure system. In 2003, in the wake of Japan's emergence from a 12 year recession, another amendment to the nation's Labor Standards Act was enshrinement of just-cause dismissal provisions. In the postindustrial neo-liberal *milieu* that contextualized this change, ensuing debate has focused mostly on how such a change will influence job creation rather than whether it will increase protection for those already employed.[5]

The Asian Tigers (or "Four Little Dragon Countries") of Hong Kong, Singapore, Taiwan, and South Korea

In the "Asian Miracle," from the 1960s until the East-Asian financial crisis of 1997, the Tigers each achieved average annual rates of economic growth of at least 7%. During their periods of rapid expansion – particularly the initial years of these eras – they had low levels of democratic participation. Inspired by Japan's emergence during the 1950s – and thus adapting much of the Japanese blueprint – their generic formula for success has nonetheless been the subject of debate. At one extreme, a World Bank report of 1993 says it was largely attributable to neoliberal-inspired policies of export orientation, limited welfare, and low taxation (e.g., Gregory et al. 2009). However, more institutionally orientated perspectives typically view State intervention as salient (e.g., Rodrik 1997). Whatever the case, there is consensus that the Tigers, from early-on, aggressively pursued an export orientated trade policy and each established cutting-edge transport-related infrastructure (e.g., ports, rail systems) to support a single-minded focus on GDP growth. Insofar as their people management practices are concerned, the Tiger strategy was influenced by the culture of Confucianism; a view of employment, similar to the Protestant Work Ethic, which attaches importance to stability and forbearance, respect for organizational hierarchies, discipline, loyalty, and conscientiousness. Much of this orientation commences with childrearing practices, and in particular, education. Indeed, part of the Tiger ideology is to emphasize scholarly excellence, at all levels.

As an exemplar Tiger, the management blueprint of South Korea (mostly put in place in the late twentieth century) will be further scrutinized in this section. This nation has an employment relations system that arose under the influence of military dictatorships that existed for several decades following the Korean War. Indeed, for at least 10 years after the ceasefire in 1953, South Korea had an agrarian economy

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[5]Indications are that unemployment is diminishing in spite of it being more difficult to dismiss employees. For example, in the immediate aftermath of the change, in January 2004, the nation's official unemployment rate dipped below 5% for the first time in 3 years (Mizushima 2004, p. 6).

and poverty-level per capita incomes. During this period, the nation was dependent on United States aide.

South Korea's industrialization agenda resulted from a series of 5-year development plans which were formulated and implemented from 1961 when General Park Chung-hee installed himself as the nation's president following a military coupe. During the Park regime – which lasted until the leader's death in 1979 – national economic development was accompanied by authoritarian leadership, political repression including restrictions on freedom of speech and association, human rights violations, and abuses of key state institutions. Although progress had been conspicuous since the 1960s, it was from the 1980s onwards that South Korea came of age as an economic powerhouse. The nation's main industrial sectors are automobile manufacturing, steel production, and shipbuilding. It also is one of the world's leading producers and exporters of digital monitors, mobile phones, and semiconductors. In 2006, the country's economy ranked in the top 15 largest in the world (nominal value) and was the third largest in Asia, behind Japan and China (Labor Statistics Team, South Korea Ministry of Labor 2006, pp. 38–39). By 2016, it had further consolidated this status, with a GDP of US 1198 Billion (in that year) and remaining within the 15 largest economies in the world (Lee 2016).

Although Western-style democratic principles were notionally adopted when South Korea entered its third republic era in 1960, it was not until 1987 – when the nation's president Chun Doo-hwan bowed to popular pressure – that direct and representative presidential elections were held and a multiparty parliamentary system was allowed to flourish[6]. Hence, contemporary South Korea is a republic with relatively independent legislative, executive, and judicial branches of government. Its 1948 constitution has been substantially revised nine times; the latest being in 1987 when, in its June 29 declaration, the nation began the aforementioned process of democratization. As of 2016, it has a population of more than 50 million.

Until 1987, the South Korean government tightly regulated employment relations. During this formative period, the State: controlled organized labor, allowing only one union to exist per industry; monitored national wages; and generally dictated terms and conditions of work. Between 1960 and 1987, the Federation of Korean Trade Unions (FKTUs) operated as an umbrella group for the nation's 17 industry-based worker associations (Lee 2016). Hence, in contrast to what was occurring throughout the West, during the era, South Korea's unions were largely docile and compliant state-controlled institutions. Moreover, collective bargaining and thus overt expression of conflictual relations between capital and labor was generally not on the employer agenda throughout the 1960s and 1970s. Indeed, during the period, because economic growth was mostly achieved through increasing workforce size (i.e., employing more people) rather than workforce efficiency (compelling the same number of people to be more productive), a hard-line employer

[6]Since South Korea became a republic in 1948, its various administrations have been described in chronological order. Park Chung-hee was the third president since Federation and therefore led the third republic.

stance concerning the perennially contested wage-effort bargain was mostly not a high priority. Also during the predemocracy era, South Korean industry leaders typically welcomed state intervention in the management process; typically viewing it as intended to keep workers in check and therefore as being employer-friendly (Lee 2016).

From 1987 onwards, as part of the process of achieving political democracy, the government of South Korea changed its stance on employment relations and, as a consequence, the substance of the nation's blueprint was altered somewhat in three respects. First, there was introduction of, what was known as, the principle of labor-management autonomy. In practice, this reform meant less state intervention in governance of the private sector. Second, in 1988 the nation began a phased introduction of a minimum wage regime. Third, there was a focus on bringing labor law in line with international standards. This latter agenda embraced more recognition of – and participation by – unions, influencing, at a shop-floor level, enhanced management emphasis on European-style joint-regulation. Another consequence of the new pluralism was less ephemeral. Specifically, between mid-1987 and mid-1988, South Korea experienced a 70% increase in the union density of its workforce and a 125% increase in the number of its registered unions (Lee 2016). In tandem, there was the growth of large independent trade union peak bodies including the Federation of Korean Trade Unions (FKTUS) and the Cheonnohyup (Korean Council of Trade Unions) (KCTU) (Park and Park 2000). A surge in collective bargaining in the following years resulted in wages increasing and a spike in inflation in 1991 (Korea International Labor Foundation 2006). In 1992, the government of the day intervened through setting a cross-sector 5% growth cap on salaries (Korea International Labor Foundation 2006, p. 12). However, in something of a display of how egalitarian the nation had become since its days of authoritarian rule, in 1992 the State attempted to undo some of its post-1987 union recognition legislation but was unsuccessful due to worker opposition and, as part of the new order, greater worker authority.

In the years since 1987, an influence on South Korea's embrace of organized labor and collective bargaining has been its growing international ties. The country joined the International Labor Organisation (ILO) in 1991, thus affording the nation's workers an option to have their grievances dealt with outside the national arena. Where such external measures of redress have occurred, the ILO has typically castigated the South Korean regime because of its limited embrace of the principle of freedom of association. In 1996, the nation joined the Organisation for Economic Co-operation and Development (OECD). In the years beforehand – and even despite the post 1987 reforms – other member countries had been disinclined to allow South Korea to join until worker rights were elaborated to a threshold standard and, in particular, employees could form and join unions without impediment (Park and Park 2000; Lee 2016).

In the wake of lingering international criticism, in 1996 the South Korean government re-examined its nation's employment relations strategy. To undertake the review task, a team comprised of union representatives, known as the Tripartite Committee, was formed. The group recommended reforms including: reducing restrictions on union recognition; third parties being allowed to participate in union activities; and unions being permitted to be active politically. At that time, employer groups were focusing their agenda on streamlining the worker dismissal process and enhancing labor flexibility options. In such circumstances, they were uneasy with the Tripartite Commission's recommendations. Consequently, the government sent a hollowed-out version of the proposals to the National Assembly. Eventually, following still further concessions to employers, the New Korea Party (ruling party) passed the reform bill. The ensuing legislation, being a substantially watered-down iteration of what had been recommended – and what the labor movement was seeking – prompted multisector strikes. To broker a final deal, the government made still further changes. Ultimately, new laws of the late 1990s limited the number of unions that were allowed to exist in a workplace but sanctioned the presence of multiple national and industry-level unions. However, the comprise legislation also authorized an employer's perogative to undertake collective redundancy but postponed activation of this option.

In the immediate wake of the East-Asia economic crisis of 1997, with fewer viable businesses to support the labor force, there was a large increase in unemployment in South Korea. In the early part of 1997 the rate had been 2.7% but by 1999 it was 8.5% (Park and Park 2000). The IMF provided financial relief to aide national recovery. As one of the conditions of this support, the government had to implement reforms, including labor market flexibility initiatives, across the economy. The new Kim-Dae Jung government reacted by embarking on restructuring the financial, banking, and public sectors and labor market.

In 1998, a Second Tripartite Committee, represented by organized labor[7], employers, and the government, was established to push further South Korea's management blueprint reform agenda. The ensuing recommendations ultimately proved broadly beneficial in assisting the nation to repay its IMF loans faster than other Asian nations effected by the era's foreign exchange crisis. The revamped approach facilitated a resurgence of economic growth which was somewhat reflected in improved unemployment statistics. For example, South Korea's jobless rate fell to a postcrisis low of 3.1% in 2002 and mostly remained between 3.5 and 4.0% from 2003 until 2005 (Korea International Labor Foundation 2006). In terms of substance, the second committee recommended giving employers the option of dismissing workers if they could show that this was unavoidable or in cases of mergers and acquisitions. Its somewhat controversial other resolutions included allowing firms to use: temporary workers where there is a short-term surge in demand as well as a broader range of employment contracts generally; more flexible roster systems; performance-based remuneration; an annualized salary system which rolled worker benefits into a base-pay structure; and employee dismissal provisions in cases of diminished performance (Korea International Labor Foundation 2006). To accompany these changes, the *chaebols* (industry clusters) were restructured to make them leaner and more internationally competitive.

[7]Although – according to Lee – 2016 – not necessarily – the views of individual union members.

The economic and labor management-related changes implemented in South Korea's postcrisis era assisted the country to recover from the crisis. Indeed, in the first decade of the twenty-first century South Korean economic growth generally outstripped the OECD average. For example, it was 8.5% in 2000, 7.0% in 2002, 4.8% in 2004, and 5.2% in 2005 (Labor Statistics Team, South Korea Ministry of Labor 2006). However, the process of recovery brought with it strained labor-management relations and labor-government relations. Indeed, unions and sections of the workforce had something of a case of buyer's remorse over concessions they made after the financial crisis. A lot of their angst concerned the employment rights – or lack thereof – of nonregular workers and the proliferation of industry-wide pattern-bargaining (Korea International Labor Foundation 2006). To address such disquiet, the government expanded employment insurance provisions for workers and provided subsidies for medical and living costs for the low paid (Korea International Labor Foundation 2006). In another compromise, the legislature passed a new Minimum Wage Act in 2005 that provided slightly broader coverage than had existed previously and streamlined payment regulations (Korea International Labor Foundation 2006). In 2006, Lee Sang Soo, South Korea's Labour Minister outlined objectives for the forthcoming years. In acknowledging that his nation's approach to employment relations was a work in progress, he indicated that his priorities did not necessarily pertain to better employment conditions but:

> "*. . ..creating an environment favourable to dialogue (involving unions, management and government) is as important as dialogue itself . . ..*" (Korean International Labor Foundation 2006, p. 13) and
> "*. . .. such dialogue should not focus too much on worker agendas but should include topics such as job creation and workplace innovation. . ..*" (Korea International Labor Foundation 2006, p. 13)

In the same speech, Lee Sang-Soo indicated that the South Korean labor market was still not sufficiently flexible. He highlighted that one sector of the workforce in particular – that involving regular employees including those engaged by large firms – remained unduly nonresponsive to the realities of commercial life. His solution was sliding wage scales for affected employees (Korea International Labor Foundation 2006, p. 13).

At the time of writing, South Korea's unions must be registered with the department of Labor. The State's guidelines for such registration are broad, possibly reflecting a bedding-down of the pluralist orthodoxy that was initially embraced in the post-1987 years of inclusion. What is striking about this development is that it is somewhat at odds with the experience of much of the postindustrial west. It is also noteworthy that, compared to the West, South Korean unions (as exemplars of those in other Tiger countries) are young and finding their way. In this sense, unlike in most other OECD nations, they have not had a 100-year odd history of experience with self-correction or a sustained opportunity to market their message. Rather, in the post-East Asia financial crisis era – and the post-2008 GFC era – organized labor in South Korea has been on a steep-learning curve as it faces the challenge of protecting employment standards won throughout the 1990s and pushing ahead on advancing members' interests in a context of digital age economic restructure. Hence, despite the aforementioned differences between the circumstances of Tiger unions in the twenty-first century and their Western counterparts, there are also some similarities. Specifically, like other countries in the region and elsewhere, organized labor faces the prospect of a workforce with fewer permanent employees, higher levels of job turnover, and an expanding services sector. From a management perspective, more specifically from the perspective of delineating the emerging Korean management blueprint, in practice something of a neo-liberal orientation towards markets and productivity is largely the *ordre du jour*. In the last decade, employers have regained the upper hand in advancing a hard-edged agenda, perhaps not so much with institutional support but more in response to the aforementioned fact the unions have been largely illprepared to take advantage of the opportunities that came with democratization three decades ago.

China

Since 1949, China's twentieth-century communist philosophy has manifested through an unambiguous totalitarian dictatorship regime that has no compelling parallel with other Asian countries, at least for purposes of understanding its national approach to management. Hence, as is the case with Japan (but for entirely different reasons) China exists as a single-nation category.

By Western standards mainland China's leaders have had a preoccupation with directing and controlling production. In the second half of the twentieth century, the nation's distinctive command economy structure gave rise to a workforce management strategy that is well characterized as the embodiment of shop floor communism. China still has the hallmarks of this approach. For example, it remains a one-party state, exerting substantial control over the lives of its citizens, including imposing freedom of association restrictions. In the twenty-first century, the nation has not transitioned easily into a liberal market economy. Likewise, in spite of some consequential changes that will be briefly examined below, its communist-era approach to employment relations and management remains, in some respects, the default blueprint for national worker superintendence.

Until recently, workplace management in China was often considered to be undergirded by a philosophy that changed when Mao Zedong died and the Cultural Revolution ended in 1976 (Zhu and Warner 2000; Cooke 2016). Perhaps however it is more appropriate to discern three, somewhat indistinct, recent epochs. These correspond approximately to the time of the Cultural Revolution (1967–1976) and, more broadly, to the Maoist era (1949–1976); the initial period of Deng Xiaoping's administration (1976–1990s), and from the 1990s onwards. For purposes of understanding management in China, delineation of this last epoch makes sense for several reasons. First, it establishes a point where the nation began economic deregulation such as restructuring state-owned industry to give local administrators greater decision making autonomy and productive enterprises a pseudo-commercial orientation. This change was accompanied by partial embrace of Western-style HRM practices and the founding of US and UK business schools within the country. Second, under the influences of laws passed in 1992, 1993, and 1995, China's single trade union entity, the All-China Federation of Trade Unions (ACFTU) began an arduous transition. In the twenty-first century, this evolution continued, creating the semblance of a market-based system of labor management that now has some features of Western-style approaches (Cooke 2016). In this regard, even though there have been discernable, somewhat step-wise, changes in China's employment relations philosophy, the actual practice of people management has altered more incrementally. In the remainder of this section, a more detailed examination of these eras is undertaken.

After 1949, the Chinese government began uncompromisingly implementing Maoist communist principles. The new regime pursued its revolutionary class struggle agenda through pugnaciously opposing the remnants of Chiang Kai-shek's former administration. In a practice that became known as "politics on demand" (e.g., Zhu and Warner 2000; Cooke 2016), throughout the era, China's central press and broadcasting agency promulgated Mao's philosophy using public speakers which were installed by the regime in schools, army units, and other state-run institutions. In this environment, iconoclasts, the bourgeois and/or perceived intellectuals, were designated as China's enemies and dispatched to labor camps. A key aspect of the new communist message concerned management and work organization, in particular, the benefits of the Soviet-style iron rice-bowl/lifetime employment system (Kaple 1994; Cooke 2016; Chan 2010). The imposed blueprint was austere but came with a degree of certainty for each actor. It entailed job continuity within exclusively state-owned and operated enterprises, a standardized and non-discriminatory wage system (introduced in 1956) and industry-sponsored welfare (Zhu and Warner 2000; Cooke 2016; Chan 2010). Essentially, it legitimized publicly owned enterprises as monopolistic providers of, on the one hand, consumer and military goods and services and, on the other, worker benefits. Insofar as the latter of these functions was concerned, as part of such domination, they (the publicly owned enterprises) were to also have an all-inclusive role in providing subsidized housing, cultural and leisure activities, and sickness and old-age support.

Management of China's state owned enterprises during the Maoist era was tailored to suit the ruling regime's, decidedly ideological, objectives. The overriding goal was to meet domestic demand through producing a limited range of no-frills products. The "new industrial management mechanism" fused Taylorist principles for efficiency attainment with the Soviet-imported communist prescription of egalitarianism, seniority-based workplace advancement and restrictions on Western-style freedoms of expression (Kaple 1994). To maintain central control, party officials were mostly responsible for the management of productive units (Zhu and Warner 2000). Administrative arrangements were undertaken through an institutionalized regulatory structure that typically included a party committee, a workers' congress, and the union[8]. In these circumstances, it is perhaps axiomatic that during the Maoist

[8]As will be explained, during the Maoist era, unions in China did not fulfill the same role as those in the West.

era, notions of workplace oversight and worker surveillance did not embrace application of western-style human resource management, particularly insofar as planning and strategy is concerned. Rather, state bureaucratic personnel departments maintained worker files and undertook recruitment, training, and work group allocation functions (Ng and Warner 1998).

From 1949, the All-China Federation of Trade Unions (ACFTU) was created through consolidating "red unions," which had operated illegally as underground movements. Consequently, henceforth, and until the Cultural Revolution, a single state sponsored labor organization communicated party propaganda to the nation's workers (Zhu and Warner 2000). The elements of this function were typically to: promote party policy; market enterprise economic reforms; regulate welfare benefits; and, in some cases, undertake training (Ng and Warner 1998). As the antithesis of capitalist systems with their tradition of voluntarism and the ever-present influence of the profit motive, communist regimes are often conceived of as churning-out their gross national product in circumstances of forced alignment of manager and worker interests (Chang-Hee 2006; Cooke 2016). In China, this characteristic influenced the construct of unionism to develop in a distinctively non-Western way. For example, during the Maoist era, the ACFTU had an organizational structure with formal accountability linkages to the management committees of work units and the communist party leadership (Zhu and Warner 2000). In practice, factory administrators were often also party officials and responsible for appointing union delegates. Furthermore, ACFTU units were comprised of members from each level of enterprise organizational hierarchies including executives and supervisors. Hence, and explicitly at odds with Western orthodoxy, the Chinese union movement does not have a history of exclusively – or even mostly – representing worker interests.

From 1966 and the commencement of the Cultural Revolution, union activity in China and the continued operation of the ACFTU was banned (Zhu and Warner 2000). The State's rationale for disallowing organized labor was somewhat ambiguous. Specifically, such an influence was alleged to be distracting the party from its revolutionary class-struggle activities and encouraging bourgeoisie thinking. However, in recent times, the change in emphasis is sometimes interpreted as Mao attempting to regain control over the Communist party following the failure of his flamboyant but ill-conceived and ultimately poorly executed "great leap forward experiment" which had begun in 1958 (Zhu and Warner 2000; Cooke 2016). In concocting this initiative, the supreme leader was preoccupied with coordinating better his nation's agricultural and industrial sectors. He believed that a lack of such synchronization, and (relatedly) the fact that he was finding it difficult to rally China's rural peasant population, were key obstacles in the quest to ramp-up grain and steel production. In undertaking postmortem analyses of the Great Leap Forward, it is instructive to note that Mao was disdainful of intellectuals (Cooke 2016). As a consequence, he mostly did not seek advice from experts such as, metallurgists, engineers, and economists when formulating or implementing his policy agendas.

After Mao's death in 1976 and the end of the Cultural Revolution, China was reeling from the results of years of failed social and economic policy. At the time, the nation had a stockpile of military hardware but an undersupply of food and clothing.

Adding to the urgency of the shortages, from 1966 to 1976, China's population had grown from 740 million to over 950 million (Zhu and Warner 2000). Furthermore, within workplaces, there was low morale. Throughout the entirety of the Cultural Revolution period, there had been no increase in wages. Also, during the epoque leaders of the defunct ACTFU as well as those articulating counter-perspectives had been imprisoned. Adding to the malaise was the state of the country's education system. Indeed, by the 1970s China's national school and university sectors had almost ceased operating and illiteracy was widespread (Chan 2010).

In the power vacuum that ensued after Mao's death, Deng Xiaoping became chairman of the Communist Party. Deng's ascendancy marked an end to what Yuan (1990) referred to as the "cult-of-personality" approach to China's administration. The new leader gave mere tacit commendation to Mao. In damning his predecessor with faint praise, he judged the ratio of Mao's mistakes to contribution as three to seven (Zhu and Warner 2000) and committed his nation to a decidedly different theoretical orientation. Zhu and Warner (2000) interpret the new regime's altered priorities as being founded on two principles: "seeking truth from facts" and "the liberation of thought." This more critical and less ideologically driven approach was a watershed for China. Henceforth, the nation began tolerating, albeit slowly and at times unenthusiastically, a pluralist and more broadly accommodative stance on public policy, economic reform, and relations with the West (Zhu and Warner 2000, p. 120).

During the Deng administration, Mao's inflexible "three irons" view of production oversight was partially replaced by an approach influenced by the, conspicuously Western, constructs of labor contracts, floating wage rates, and management engagement strategies (Yuan 1990). With aid from the International Labor Organisation, by the 1990s this new tripartite system was well ensconced and being augmented by collective bargaining, established and then championed by the ILO (Zhu and Warner 2000). It is likely that this latter reform, collective bargaining, was responsible for increased union membership and participation in China (e.g., Zhang 2005; Cooke 2016). For example, by December 2003, there were 35.79 million Chinese workers covered by wage-agreements, a rate of coverage that had risen at least 40% since the mid-1990s (Zhang 2005). The refurbished approach legitimized, and in some respects leveled, the roles of three national stakeholders: the Chinese Enterprise Directors Association (CEDA), representing employers; the Labor Ministry, representing the State; and the ACFTU, representing workers. In subsequent years, responsibility for employment relations practice was somewhat devolved, providing for enhanced local autonomy and flexibility (Chang-Hee 2006).

In the twenty-first century, China's management and governance-related institutions remained largely similar to those reformulated during the Deng administration. For example, the ACFTU continues to be the only officially sanctioned union, effectively remaining as part of the State's top-down bureaucratic apparatus. However, the collective bargaining and dispute settlement provisions of Deng's tripartite system have supported an expanded role for organized labor including representative and advocacy functions (Chang-Hee 2006). In 2001, this reform was augmented by legislation allowing the ACFTU more independence and an enlarged role so that it can participate in social and labor policy development. The substance of this change has been implemented using a Tripartite Consultation Committee (TCC) structure, the mission of which is to improve workplace relations through enhanced coordination among the key labor management actors, specifically: the State, employers, and workers (Chang-Hee 2006).

In the early digital age, a trend in Chinese employment relations was the rising number of employee disputes, both individual and collective. Chang-Hee (2006) suggests that this has little or nothing to do with the increase in collective bargaining. Rather, he points out that in modern China, new employee/employer disputes may be expressions of the ACFTU's inability to adequately discharge its full range of responsibilities in changing circumstances. For example, it may be that union subunits are unable to assist individual workers redress their grievances because they are focusing their efforts and resources on wage bargaining. Chang-Hee (2006) at the time suggested that this phenomenon is evidence of a growing informal or unofficial sphere of Chinese employment relations in the early twenty-first century (Chang-Hee 2006, p. 126). It is noteworthy also that, within China, penalties for labor-related expressions of dissent occurring outside the formal legal system are still, by ILO standards, particularly harsh.

Notwithstanding an upsurge in industrial disputation in China, by 2016 there were still practical and psychological impediments to the expression of worker voice. Each such hindrance is unambiguously a legacy of the Maoist era blueprint and largely a result of the workplace relations context (Cooke 2016). Perhaps the most notably of these contextual elements is the presence of a pervasive climate of fear about the consequences of engaging in illegal strike activity. However, also in the twenty-first century, it is noteworthy that enterprises continue to provide dormitory housing, thus limiting easy and regular interaction and information exchange with workers and their comrades in other factories. Furthermore, in the modern era in China, a registration system exists that impedes migrant workers from, in particular, leaving their job or applying for another if management confiscates relevant documents.

There is diverse opinion concerning how to interpret China's changing management agenda[9]. Those who emphasize the "forced local-cloning" of the tripartite structure have described the 21st century's emerging approach as "*a preemptive corporatist strategy applied in a top-down manner*" (Chang-Hee 2006). This view depicts the nation as moving towards embrace of a Western industrial-age model where conflicting employer and employee interests are acknowledged and managed within a regulatory framework. Others stress the nation's range of different employment relations systems that came to exist in the early 2000s. For example, one survey suggested that China simultaneously has several disparate philosophies. In the early digital era, these included: "the traditional," "internationally orientated HRM," and "HRM with Chinese features" (Benson and Zhu 1999). Another view of the current approach emphasizes a unique and culturally distinctive course of change. Such reasoning became associated with the term "*third way of gradualism*" (e.g., Zhu and

[9]Perhaps the word "administration" is more appropriate than "management" in the case of China.

Warner 2000). This perspective is that China has moved from being a State-run economy based on Stalinist principles of bureaucracy and Taylorism to an economic system embracing "market-socialism" with "Chinese characteristics" (Zhu and Warner 2000; Cooke 2016). Advocates of the third way perspective argue that China is different from the West because its approach does not involve adversarial relations between employers and their workforce, but nonetheless, is internationally competitive. Despite a certain lack of clarity and detail, this view suggests that the nation retains some of the ideals of communism whilst, at the same time, finding legitimacy in a globalized trading economy. Hence, in summary, although there is a plurality of opinion about the best way to characterize China's management philosophy trajectory, scholars appear to consider that, broadly speaking, the nation is in transition. Where it has come from is somewhat easy to characterize. Where it is going, more challenging.

Indonesia

Among Asian countries Indonesia is idiosyncratic because: the vast majority of its citizens are Islamic; its industrial base has emerged from an abundance of natural resources such as, oil, gas, bauxite, tin, copper, gold, and coal; and it has a history of government ownership and control of commercial enterprise. This latter feature of Indonesia's economy is a legacy of the nation's 1945 constitution that says: "*. . .branches of production which affect the life of most people will be controlled by the state*." Specifically, in 2003, the Indonesian national government had stewardship of 158 commercial enterprises and utilities and controlled prices on vital goods including commodities such as fuel, rice, and electricity (Drakeley 2005, p. 30).

In some respects, since 2004, Indonesia has come to resemble a liberal democratic country, in particular holding direct elections for its President. In the prior era, members of a single legislature elected an executive branch of government. In this former period, a specified number of parliamentary seats were set aside for leaders of the armed forces, an arrangement which self-evidently curtailed representative participation and effectively established the country as a militaristic one-party state. Indonesia has a population of 224 million, of whom 87% are Muslim (US Department of State 2017). Although these statistics represent the largest Islamic population in the world, unlike for example in Middle Eastern countries, Indonesia is officially secular, thus managing its activities in such a way as to make a clean distinction between the practice of faith and affairs of State. In 2017, the nation derived at least 16% of its Gross Domestic Product from natural resources and employed the majority of its workforce in the public sector.

Insofar as its national blueprint for workforce management is concerned, modern Indonesia has been through three identifiable stages since gaining independence from the Dutch in 1945. These correspond approximately to the period before the Suharto era (prior to 1967); the time of the Suharto regime, sometimes known as the *new order* (1967–1998); and thereafter, the *Reformasi* (Reformation). During the first of these periods – the transition to sovereignty era – trade unionists largely neglected workplace concerns but rather dedicated themselves to the goal of achieving full independence, often acting in a paramilitary role in circumstance of protracted violent protest activity. By 1949, they had played a seminal part in forcing out of the country the last of the remaining Dutch colonialists who had been exerting influence over the agriculture sector, in particular.

Throughout the twentieth century (approximately the first two of the three identified eras), labor management in Indonesian was routinely a matter of coercion in circumstances where local supervisors were largely inconsequential. As such, it entailed regular overt displays of power and authority by the State and periodic resistance by nonrecognized unions, in particular. In this respect, historically the nation's approach was dominated by government intervention in the form of heavy-handed regulation of the employment relationship and a consequent marginalization of employers, intimidation, confrontation, and in some cases, human rights abuses. Until the end of the Suharto era, the Indonesian Ministry of Manpower (Depnaker) regulated the labor market and management practice. Specifically, it set terms and conditions of employment, intervened in disputes and – the most consequential of its priorities – created national strategy for improving productivity. On advice from a committee with regional and district representation, the Ministry established the minimum wage for each of Indonesia's 27 provinces (Suwarno and Elliott 2000).

As noted, the construct of organized labor in Indonesia has different intellectual and historical origins to its Western equivalent. However, having played a key role in liberating the country from its colonialist shackles, from around 1950 unions began concerning themselves with a Western-style notion of work-life betterment, albeit in a largely short-term, informal, and paternalist manner. For example, mostly on an ad hoc basis, a key part of their role became to advocate for individual employees concerning their specific grievances rather than addressing collective bargaining or scoping out development agendas (Suwarno and Elliott 2000). Furthermore, prior to the Suharto era (commencing in 1967), Indonesia did not have an arbitration system or regime of labor market regulation (Suwarno and Elliott 2000).

Throughout the Suharto period (1967–1998), forced national economic development was a key priority in Indonesia. However, despite high levels of growth in the 1980s and 90s, the nation's working conditions were harsh, inequitable and discriminatory, particularly for women (Ford 2013). To support the regime's hard-edged agenda, the Indonesian management philosophy came to embody three features. First, the state curtailed trade union activities using an inflexible recognition process and through denying workers opportunity to strike or indicate dissent. Second, government employees, including those working for publicly owned enterprises, were forbidden from forming or joining trade unions. As something of a token gesture, in 1972 the State established the Indonesian Civil Servants' Corps (KORPRI) to represent public sector workers in grievance matters. (Suwarno and Elliott 2000, p. 134). Third, unions – and union officials – were monitored, often in a heavy-handed way, by the State (Suwarno and Elliott 2000; Gould 2014). In such a climate, leaders and organizers of nonrecognized labor alliances were frequently imprisoned or harassed by the police and military (Bamber and Leggett 2001; Gould 2014).

The three aforementioned characteristics of Suharto-era employment relations philosophy had their formal origins in the PIR, *Pancasila Industrial Relations* system that began in 1974. This strategy was officially established following a seminar sponsored by the Indonesian government in collaboration with *Friedrich Ebert Stiftung,* a German labor studies research institute. It was intended to inculcate partnership and cooperation between employees, managers, and the State through (in the stated order of importance): "*peace and stability, discipline, a dedicated workforce, increasing productivity, and a commitment to improve workers' welfare and human dignity"* (Suwarno and Elliott 2000). However, somehow this blueprint was never really implemented. Instead, what emerged in late twentieth-century Indonesia under the auspices of the PIR approach was a harsh and militaristic government stance in the regulation of industrial disruption and strike activity. Moreover, PIR established Indonesia as a comparatively low-wage country (Schwarz 1997).

President Suharto resigned in 1998 following revelations that his government was corrupt. Another influence on the change of administration was Indonesia's strained relations with Western countries because of its human rights abuses in East Timor (Gould 2014). Habibe, the incoming president, softened aspects of the nation's approach to organized labor and brought his country somewhat more in line with international employment standards. In this vein, in 1999 Indonesia released some of its political prisoners, several of whom had been incarcerated because of their union affiliations. Also in 1999, President Habibe ratified the key ILO conventions on Freedom of Association and protection of the right to organize (Suwarno and Elliott 2000) and lessened controls on press reporting and the activities of rival political parties. In 1999, the Indonesian military was given a reduced role in public administration and, in particular, of monitoring unions. As part of these reforms, the police and military functions were separated.

In the twenty-first century, the mechanism for wage-setting in Indonesia has been developed in the wake of a government reform agenda explicitly concerned with elements such as: commitment to employee participation and inclusion, greater tolerance for industrial disputation and employee dissent, and a renewed focus on commercial competitiveness. In 2000, Indonesia ceded some of the Ministry for Manpower's authority, including responsibility for setting a minimum wage, to a more independent employment tribunal service. This reform has formed one element of the nation's transition to a liberal democracy. However, aside from this change, the recent trajectory of Indonesian development has resembled that of Western liberal market economies; in particular, it has had a decidedly neoliberal character (Gould 2014). For example, the recently embraced philosophy emphasizes notions such as flexible employment, particularly in the manufacturing sector. Hence, in one sense, the refurbished approach echoes sentiments of PSI, re-establishing commercial success and economic development as more important objectives than pay equity and extending to employees the right to organize or engage in industrial disruption. It has been suggested also that the twenty-first-century approach will likely ensconce Indonesia as a low wage country (Gould 2014). In particular, the nation had stagnant wage growth in the first 15 years of the twenty-first century.

Since 2004, Indonesian employment relations-related changes have been planned without, by western standards, substantial consultation. However, these same changes have more legitimized unions and reduced the State's role in enforcement and compliance matters. Specifically, they have mostly come from a top-down influence. Indeed, in light of the fact that changes that were intended prior to 2010 were being held-up due to union resistance, it now seems that the nation's workers have the semblance of a voice.

Conclusion: Inescapable Diversity but Perplexing Recent Similarity

When speaking about human beings and their personality, it is somewhat tautological to point out that the twin circumstances of experience and innate constitution are 100% defining. It follows that where each of these elements are – in a relative sense – different for, say, two individuals one should expect to observe, in each case, unalike temperaments. Although there are dangers in reasoning by analogy, the binary nature of the aforementioned template (the idea that only two element clusters create personality) mitigates such hazards when talking about the case of countries. Specifically, nations inevitably – and certainly true for Asia – have ubiquitous cultures, their innateness[10]. They also have their recent histories, their experiences. Thus, it follows that where more than one country occupy shared space but do not have meaningful interaction, it is inevitable that each's approach will be different, irrespective of whether an object of analytic interest concerns management philosophical orientation or other human endeavor. This is the unwieldy and disjointed story of Asia, a difficult story to tell.

Up until about 30 years ago, a patent intra-regional isolationism existed in Asia. For example, Australia's most proximal neighbor was Indonesia. Japan's was China. These nations had little of cultural consequence in common and decidedly different histories. It is somewhat axiomatic that their respective national management blueprints turned-out to be different. The five cases presented in this chapter laid bare other such contrasts. However, the selected national case studies also hinted at, in an overall sense, how in the Internet era – the digital age – countries within the region are becoming, at least partially, similar. In an effort to keep the spotlight on the nations themselves, the chapter sidestepped discussing theory about why this may be. However, chapter 2 of this volume takes up the challenge. It addresses the so-called convergence debate and, in so doing, gives to the reader some new analytic tools to think about what is happening in Asia. It is noteworthy that, compared to any other of the world's geographic regions, it is within Asia that these analytic tools are best put to the test. Indeed, Asia is the perfect natural experiment for assessing conjecture about whether and how nations influence each other.

Cross-References

► Governmentality and the Chinese Workers in China's Contemporary Thought Management System
► In Search of the Traces of the History of Management in Latin America, 1870–2020
► Indian Management (?): A Modernization Experiment
► Management History in the Modern World: An Overview
► Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter

[10]Not, of course, literally because of DNA but nonetheless often inculcated over hundreds or thousands of years.

▶ The Making of a Docile Working Class in Pre-reform China
▶ The Perfect Natural Experiment: Asia and the Convergence Debate
▶ Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand
▶ What Is Management?

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The Perfect Natural Experiment: Asia and the Convergence Debate

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Anthony M. Gould

Contents

Abstract

This chapter is about international approaches to management and the convergence debate. It interprets convergence as a manifestation of the comparative problem, the second most consequential big-picture dilemma in management studies, the first being concerned with the how-to question. On the one hand it argues that "the how-to" dilemma has largely been viewed as a problem for the West in the twentieth century. On the other hand, the comparative problem became of interest after World War 2. Two questions expose its nature: Which, of various nationally distinctive approaches to management, is most effective? Will internationally distinctive approaches to management converge? The chapter contends that progress on the comparative question has been impeded because, with the exception of Japan, theory has mostly not been built on a base of data that embraces non-Western Asian countries. It further argues that such a lack of inclusion of Asia has rendered theory about convergence, in particular, limited in its scope.

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Introduction

Asia's bewildering cultural, social and economic heterogeneity renders the region the ideal testing ground for determining what works in management. In reflecting on such diversity, two points – implicitly exposed in ▶ Chap. 56, "Introduction: Management Heterogeneity in Asia" of this volume – are noteworthy. First, when looked at in cross-section, Asia, however defined, consists of different kinds of jurisdictions. Second, its constituent countries have changed to varying degrees and thus at varying rates since the mid-twentieth century. For example, on the one hand, the closed-off dynastic totalitarian regime of North Korea has remained essentially the same across most consequential societal and economic dimensions since United States Lieutenant-General William Harrison Jnr and North-Korean General Nam Il each signed the Korean armistice agreement on July 27, 1953, effectively ending the Korean War with a "temporary" truce. On the other hand, South Korea's near neighbor, Japan, entirely supplanted its national management blueprint in the 1950s and made substantial, albeit more incremental, macro-level change in the digital age. Likewise, South Korea, an even closer neighbor to its Northern namesake became an aggressively export-orientated Asian tiger in the 1960s, thus joining the ranks of Western-style industrialized economies and soon taking a healthy share of their key product markets. In the post-1987 period of its democratization, South Korea embarked on further governance-related reforms, and did so again following the East-Asian financial crisis of 1997 (Gould et al. 2015). Such reflections suggest that, for a circumscribed period of analysis (say the 70 years until 2020), in just one relatively small corner of the Asian region, there is simultaneously difference and similarity at the commencement of the reference period and an altered mix of these elements at its ending. In light of such temporal and spatial multi-facetedness, making sense of what is going on overall is daunting. Certainly, it calls for theory. The mission of this chapter is to respond to this call or at least survey some of what others have done to push the agenda.

Using history to contextualize discussion of key ideas, this short chapter presents, interprets – and reveals the limitations of – theory addressing regional similarity and difference in management philosophy and practice. It will be argued that, in the wake of the industrial revolution, the new problem of management was in fact two problems. First, there is the "how to" conundrum, a dilemma about which, in the West, progress was slow in the nineteenth century but accelerated in the twentieth. Second, there is a more recent dilemma, the comparative problem, a concern about whether there are better ways – notably ways outside the West – and, if so, whether the West is influenced by – or influences – these. The chapter will further argue that, when compared to other global regions, Asia, the place of diversity and changing identities, holds the most latent potential to make progress on the second of these issues, henceforth referred to as the comparative problem. In prosecuting the case, it will be noted that conjecture about matters such as convergence and macro-economic taxonomy has mostly been a Western-hemisphere enterprise. Thus, it is common to find mainstream ideas about these topics being tested mostly within Europe and North America. As such, theory addressing change in management philosophy and practice is not typically invoked to understand Asia, sometimes with the exception of the decontextualized case of Japan. There are two reasons for such distorted application. The first concerns parochialism. The second pertains to the fact that theory is not sufficiently developed to cope with the multidimensional complexity that exists when Asia is established as an object of analytic interest. Simply put, Asia is a tough case.

This chapter has a straightforward, two-part structure. In the next section, an overview is given of the convergence debate. The objectives of this section are threefold. First, it will place conjecture about convergence in its historical context. Second, it will indicate that the issue itself is a manifestation of the comparative question, arguably the second most important big-picture concern for management theorists in the postindustrial revolution era. Third, it will illustrate how – other than in the case of Japan – non-Western parts of Asia have largely been excluded from consideration in formulating relevant theory. The conclusion offers general further commentary about the circumstances of Asia and calls for twenty-first century management theorists to create their conceptual frameworks based on a broader data set than exists in the West, in particular to consider previously neglected Asian countries.

Asian Approaches to Management in Historical Perspective: The Convergence Debate

In the digital age, a key message that could be being sent from Asia concerns convergence. The important words here are "could be." Precisely, the West, notably Western theorists, is either largely unreceptive to the missive or ill-equipped theoretically to receive and interpret it. The reasons for such tone deafness are explored at the end of this section. In the meantime, insofar as convergence is concerned, the issue at hand is whether different approaches to management – approaches emanating from dissimilar contextual starting points – become alike (Kaufman 2011; Gould et al. 2015). Of equal importance is delineation and defense of a relevant explanatory mechanism. It is noteworthy that theory about convergence is intended to be – but in fact is not – robust. In this regard, it will be argued that robustness is unattainable when frameworks are created exclusively from examination of an arbitrarily delimited data set, in this case mostly only through considering the cases of Western countries.

A cursory glance at pertinent literature reveals the convergence controversy as a central concern for modern management theorists, notably North American and European comparative political economists and their colleagues seeking to enumerate comprehensively ways of managing (Gould et al. 2015; Kaufman 2011; Katz and Darbishire 2000). Indeed, since the industrial revolution, convergence (however articulated) is arguably the second most consequential big-picture issue on the scholarly agenda, the first being what is the best/most effective/most appropriate method for undertaking the mission. Reflection on Western history's long arc reveals why each of these preoccupations creates the lion's share of impetus for management scholars. Thus, before returning to the case of Asia, consideration will be given to the long-arc issue.

Following the late eighteenth century's industrial revolution, the construct of the nation-State came of age as the feudalist production mode gave way to capitalism and jurisdictionally regulated market economies (Gould et al. 2017; Joullié and Spillane 2015). Throughout the nineteenth century, the century of the modern emergence of the middle class, the question of how to combine capital and labor in factories – the archetypal unit of production – was left largely unaddressed (Park and Gould 2017). Indeed, although steam technology had brought new benefits and the allure of enhanced prosperity, finding a means for fully realizing such potential (the management problem) remained elusive. Two characteristics are notably about early progress in this area. The first concerns its piecemeal nature. For example, the Scottish industrialist, Robert Owen (1771–1858), in establishing himself as the first management theorist, used his textile mill in Lanark to experiment with methods for employee motivation (Joullié and Spillane 2015; Gould et al. 2017). In so doing, he created a specific sense of what worked on a case-by-case basis but provided no general theory. The second notable feature of initial commentary on management is its ideological bent. For example, early in the piece, Alexander Hamilton in his *Report on the Subject of Manufactures* (1791) extolled the transformative potential of a destabilizing new management middle class (Joullié and Spillane 2015). However, he was deafeningly silent on what the agents of capital should actually do within – and to – the workplace. Similarly, at first glance, Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) obliquely touches on the management problem but did so merely incidentally. Specifically, Smith portrayed his division of labor construct as an adaptive response to the virtues of market-based capital allocation (the invisible hand) rather than as having anything to do with the craft of governance. As such, a careful reading of Smith on this issue reveals that he was merely identifying job specialization as an emergent property of capitalist market economies. Indeed, he was mostly silent on the question of what management should or will do.

To reiterate, mainly because the West was the initial key beneficiary of steam technology, early exploration of the modern management challenge was typically a Western hemisphere concern. Whatever the case, the problem was largely solved – or at least well addressed – in the twentieth century. Scientific management (Taylorism and Fordism, etc.) provided initial generic insight and gave birth to the so-called "classical solution" (Robbins et al. 2015). Ultimately such a view of enterprise governance became large enough in scope to embrace, not just Frank and Lillian Gilbreth's fine-tunings vis-à-vis time and motion and appropriate use of tools (Robbins et al. 2015), but the more philosophically orientated contributions from Henri Fayol (1916) and Max Weber (Swedberg 1999). These latter theorists were not technicians with engineering or psychology backgrounds. Rather, they were industrial sociologists who concerned themselves with the rational nature of organizational life and how such nature can be tamed to achieve optimization. Subsequent solutions to the "how to" problem were often in conflict with the classical (or first) view. The most notable of these commenced with insights provided by the Hawthorne studies and the ensuing rise of the human relations movement emphasizing the roles played by psychological influences, particularly worker social-perception and attitudinal elements. Even more recently, for example, in the 1960s, systems and contingency theory has provided competing perspectives (Robbins et al. 2015). For present purposes, it is noteworthy that this entire corpus of scholarship (in other words all twentieth century consequential effort on the "how-to" question) established Western workplaces as its object of analytic interest. Furthermore, the aforementioned effort came from Western scholars influenced by the transformations that occurred in the wake of the industrial revolution and the parallel European enlightenment movement with its emphasis on sensory-informed reason. As such, key mainstream influences on how to manage were decidedly non-Asian.

Whilst those in Western management schools were making headway on the how-to problem, in the aftermath of the Second World War, another dilemma was looming. Indeed, commencing most explicitly with Durkheim's optimistic perspective of modernity (Durkheim 1893), but also having its theoretical roots in John T. Dunlop's systems view of industrial relations (Dunlop 1958), the research agenda was being forced to shift (or at least be augmented). The emerging conundrum no longer only concerned the question of the best way (or ways) as defined and debated by Western intellectuals but was now a matter of cultural comparison. Japan had been decimated at the end of the conflict that culminated in the allies dropping atomic bombs on its cities of Hiroshima and Nagasaki. Curiously, however, by the 1950s, the Rising Sun empire was well on the way to becoming an export-orientated economic powerhouse. Equally intriguingly, Russia was ravaged by Hitler's military adventurism on the Eastern front but was still able to beat the Americans in the space-race, launching "Sputnik," the first satellite, in 1957. Such impressively rapid reconstruction efforts, gave rise to two questions. Is it possible that non-Western cultures find superior ways of doing things? If so, would such better ways ultimately become universal? At this point, Japan, became – and has remained – of special relevance to the management research agenda. Hence, in asking about convergence, the theorist is really asking about the extent to which clever cultures vicariously learn from – and teach – each other. Given that a cursory reflection on Asia provides much support for the view that the region is replete with clever cultures, the more focused questions are: Does the West learn from Asia? If so, what does Asia teach the West? Setting aside the case of Japan, beguilingly and, as noted, these questions have never really been asked, let alone answered. They have certainly not been a central concern for those caught-up in debate about convergence, and, for example, the relative merits of institutionalism versus globalization. This matter will be further explored, however, in the meantime, it is appropriate to provide a defense of the proposition that historians of management generally and comparative employment relations scholars, more specially, are just not that interested in Asia. This task is now tackled.

Cummings et al. (2017) recently surveyed the world's most important journals of management and business history including the *Journal of Management History* (whose chief editor, Bowden, is one of the editors of this book series), *Business History*, and *the Business History Review*. Their objective was to establish the geographic focus of articles published in each journal since its first edition. Their conclusions were as follows. First, about 80% of the 2068 published articles did in fact have a geographic focus. Second, when they sent data on this matter to Worldmapper.org to create an image of relativities (Worldmapper.org specializes in distorting cartographic images to represent data), the regions of North America and Western Europe became massively bloated. Hence, they concluded that the United Kingdom and the United States attract the vast majority of scholarly attention; and, Japan, Australia, New Zealand, and South Africa are represented at a frequency that is roughly equivalent to their economic and demographic influence. However, the bulk of the non-Western parts of Asia, and the majority of Africa and South America are almost entirely off the analytic radar screen. Insofar as this chapter's scholarly preoccupation is concerned – the case of the region of Asia – such a circumstance raises the specter that Western-developed theory was created from an unduly narrow database and, hence, is not robust (i.e., fails to live up to its pretentions of being generic).

A distinctively Western scholarly preoccupation has been the issue of convergence. As noted, a key initial contributor to speculation about the subject was Emile Durkheim. Durkheim asserted that capitalist market economies are self-correcting and thus inclined to move their participants towards optimization and, in so doing, lift general living standards (Durkheim 1893; Godard 2017). He interpreted a key tenet of the Marxist view – that class-conflict is endemic to capitalism – to be largely ill-conceived (Godard 2017). Rather, his sanguine industrialization thesis was that such malaise, to the extent that it occurs, is an ephemeral teething pain; one that will vanish when preindustrial mechanistic solidarity (the collective consciousness possessed by those in feudal society) is replaced by organic solidarity (the interdependence that emerges among consumers and producers who are bound together through market-mediated relationships). In the mid-twentieth century, this genre of view of the trajectory of the industrial world was unambiguously being borne out by empirical evidence. For example, in the West, albeit under regimes of regulated state capitalism *a la* the New-Dealist prescription, the general population's material circumstances were improving (Thelan and Kume 2006). In such a *milieu*, later thinkers such as Clark Kerr considered how management and employment relations fit into the bigger picture. It is in the work of Kerr et al. (1960) that the convergence debate has its formal genesis.

Kerr et al.'s (1960) *magnum opus*, *Industrialism and Industrial Man* (Kerr et al. 1960) has two patently identifiable influences. The first of these is the (aforementioned) work of Durkheim who created much of the intellectual scaffolding for the argument that the capitalist production mode was not as disconsolate a prospect as had been predicted by Marx, or even Weber who proposed the necessity for a stultifying bureaucracy as a means of sustaining postindustrial revolution organizational existence (Weber 1961/1922). The second notable influence on Kerr et al. (1960) more directly pertained to management, specifically the industrial relations perspective of labor espoused two years earlier by John T. Dunlop. Dunlop wrote "Industrial Relations Systems" (1958) wherein he presented a view that interconnected elements give rise to what ends-up being recognized as a nation's distinctive approach to the reconciliation of capital and labor's discordant interests. These elements are the system's: actors (employers and their representatives, employees and their representatives, and government and its agencies); structural components (budget constraints, technology, power relations, and status of the actors and their respective labor management ideology), and the labor management ideology of the aforementioned actors. In proposing such an account, Dunlop was concerned to explain why certain rules are established within a given system and possibly even predict their establishment. His view was decidedly jurisdictional in nature. Hence, although aptly designated as systems-based, it is more precisely described as adopting a closed-system perspective of its subject matter. These shortcomings provided impetus for Kerr et al. (1960) whose contribution was, in a sense, to propose a more generalized perspective, imbuing Dunlop's original conception with both dynamic and international comparative elements.

Kerr et al.'s (1960) derivative (Durkheimian and Dunlopian) industrialization thesis was based on the proposition that – in a universal sense – management patterns can be viewed as embracing both unity and diversity components (Kaufman 2011). In Western capitalist market economies, the first of these, the unity element, ultimately emerges from industrialization's homogenizing influence, notably the establishment of large firms, bureaucratic employment regimes and organized labor movements. The second, the diversity element, comes from country-specific stimuli that may include such things as the priorities of ruling elites, as well as cultural, social, and ideological dissimilarity. It is noteworthy that the unity/diversity formulation establishes the Western construct of industrialization as of central causal importance. Thus, in a sense, it potentially excludes *a-priori* from consideration countries where such a construct does not apply or applies differently.

Implicit in the Kerr et al. industrialization thesis – at least as they originally formulated it – is that jurisdictionally distinctive features of labor management contribute to national economic development. More specifically, they argued that science and technology are consequential drivers of societal development and, as such, impose a homogenizing influence on global heterodoxy. To support this contention, they argued that there are five industrializing elite groups which each, in various ways, seek to install and elaborate technology (Gould et al. 2017). Eventually, these elites fleetingly amalgamate into two larger groups, a middle class and another cohort they identified as revolutionary intellectuals. Ultimately, there is a concluding fusion of such assemblages and the emergence of a new and enriched middle class. According to Kerr et al.'s (1960) derivative thesis, this "final" and enhanced middle class will be the same in all important respects for each country impacted by postindustrial revolution technology, no matter how dissimilar that country's national starting point.

Debate about convergence *à la* Kerr et al. (1960), and more broadly about industrialization, *à la* Durkheim and Dunlop influenced the emergence of the aforementioned enduring controversy about whether an ultimate international homogenization is inevitable. For example, at the dawn of the digital age, authors such as Fukuyama (1992) with his "End of History" thesis pushed the envelope on convergence, extending the construct to include elements other than those concerning management and employment relations. At a more practical level, Kerr et al.'s (1960) view has provided much of the rationale for the doctrine of best practice (Wood et al. 2014). Indeed, despite conjecture that convergence is at best partial (see, for example, Katz and Wailes 2014; Wailes et al. 2008; Djelic 2010; Katz and Darbishire's 2000, influential book, *Converging Divergences*), the – inherently Western – construct of economic development is ever-present in deliberation about emerging similarity in management philosophy and practice (Barry and Wilkinson 2011; Wilkinson et al. 2014). In the twenty-first century, two perspectives have come to represent the sides in this debate. On the one hand, there are globalizationists who contend that societies inevitably become more similar in how they do business. This view depicts national governments as increasingly boxed-in by forces that compel them to bid-down regulatory oversight in circumstances where capital searches out jurisdiction where it will yield the best return (Sewell 2008; Barry and Wilkinson 2011). Those pushing such a line typically cite as evidence for their position an international tendency to reduce labor costs, increase workforce flexibility, and find alternatives to labor unions. On the other hand, there are institutionalists who originally concerned themselves with economic phenomena in the immediate post-World War 2 years, went into hibernation for approximately four decades and, remerged as new-Institutionalists in the digital age. Insofar as management and employment relations are concerned, institutionalists eke out a middle ground between radical-Marxists and neo-liberalists (Kaufman 2011). For example, their recent proponents such as Kathleen Thelan (2004) and Richard Locke (1992) argue that the apparatus of the State is effective at absorbing, countering, or refracting technological and globalization-related homogenizing pressures. Somewhat incongruously, much of the early modern impetus for the renaissance of such a view came from Kerr himself who reentered the convergence debate. Specifically, in the wake of the charge of undue "technological determinism" (e.g., Doeringer 1981; Piore 1981), Kerr (1983) revised his industrialization thesis to account for the modulating role of institutional elements.

Aside from consideration of degree, another strand of debate about convergence – one with direct consequences for understanding Asia – concerns which jurisdiction will become the template. Conjecture about this matter has a special historical connotation because it puts the spotlight on one of Kerr et al.'s (1960) key implicit original assumptions, apparently influenced by a hegemonic cold war view that has come to be known in the modern era as American exceptionalism. This perspective is explicit in monographs published in the 1960s such as Daniel Bell's (1962) "The

End of Ideology" and W.W. Rostow's (1960) "The Stages of Economic Growth." These works propose that observed averaging effects and/or regression towards the mean are misleading and gloss-over the fact that other nations will embrace the United States' political economy blueprint (Goldthorpe 1984). Theorists such as Dore (1973) were not impressed with this thesis. His argument was that Japan, a nation that had instituted an idiosyncratic manufacturing production paradigm at least 100 years after Great Britain, would learn from mistakes made by Western countries and therefore emerge as the archetype for how to manage. Indeed, such a view seems reasonable in light of the fact that so much of the post-war Japanese economic renaissance was based on second mover advantage (essentially copying) (Gould 2014). For present purposes, in reflecting on Dore's contribution, it is instructive to note that, it is really only because of the case of Japan that non-Western Asian countries are included in debate about convergence.

Up to now, this chapter's discussion has focused on whether convergence is likely to happen and, if so, whether it will be partial or more comprehensive. The point was made that such discussion was largely oblivious to the non-Western experience. In recent years, aspects of the debate have become more sophisticated. Specifically, to reconcile data, some theorists have proposed and defended models of partial-convergence. Two of these that came at approximately the same time will be briefly examined below (e.g., Hall and Soskice's – 2001 – Varieties of Capitalism Theory and Katz and Darbishire's – 2000 – four pattern formulation). It is noteworthy that, in each of these cases, the object of scholarly interest is Western countries, thus excluding from analysis non-Western parts of Asia other than Japan.

Varieties of Capitalism

The Hall and Soskice's (2001) Varieties of Capitalism conception, as originally formulated, is a two-category taxonomy which establishes a distinction between liberal and coordinated market economies. According to the perspective, liberal market economies have well developed capital markets, "outsider" forms of corporate governance and use the market solution and contractual arrangements to regulate relations within value-chains as well as across sectors and industries. With respect to their management blueprints, they typically have high levels of labor flexibility concerning – in particular – hiring, firing, and remuneration. This arrangement creates relatively ephemeral employer-employee associations. Examples of liberal market economies include, most notably, the United States, Australia, New Zealand, Canada, Ireland, and the United Kingdom. By contrast, coordinated market economies (CMEs) have more "patient" forms of capital, "insider" approaches to corporate governance, nonmarket mechanisms for managing value chains (often industry-based regulatory regimes), and centrally managed horizontal connections within and across economic sectors. The governance blueprints for these kinds of countries are characterized by lessened scope for labor flexibility, widespread use of collective bargaining, comparatively more uniformity of wage outcome (including often seniority-based systems of promotion and appointment), and greater employment security or, at least, longer-term employment contracts. Germany, Japan, and Northern European countries are often touted as quintessential coordinated market economies (Dore 2000; Hall and Soskice 2001).

Varieties of Capitalism, as its title suggests, makes an initial delimiting assumption: that to be subject to classification, a country must be conspicuously capitalist, or at least use a market-mediated system for capital allocation. Perhaps partly as result of such initial implicit bias in how the framework was originally conceived, some Asian countries, such as Maoist China or North Korea, are not dealt with and indeed are excluded *a-priori* from consideration by definition (as noted, Japan is an exception). In this vein, despite attempts to expand its coverage – such as Waile's et al. (2008) conception of an Asian market economy which differentiates Japan in particular from nations such as twenty-first century China and South Korea – efforts to validate Hall and Soskice's original conception mostly examine the West (Walter and Zhang 2012; Wood and Frynas 2006). Sometimes the defense against such a near exclusive focus is that the Varieties of Capitalism typology is not designed for Asia (e.g., Witt and Redding 2014). This kind of justification may exonerate the framework from the charge that it is conceptually inadequate but is also tacit acknowledgement that, overall the view is not well adapted for interpreting post-industrial organizational and commercial life (Gould et al. 2015). A similar point has been made by Hay (2005) who portray Hall and Soskice's (2001) characterization as pertaining to varieties of two regional capitalisms rather than of world capitalism.

Katz and Darbishire's Four Pattern Formulation

Katz and Darbishire (2000) proposed a nuanced view about the nature of convergence that is influenced by precipitous union decline in the late twentieth century as well as two other elements. First, the view they propose attaches importance to the fact that, in spite of a Western implicit tendency towards parochialism and xenophobia, evidence suggests that the post-war Japanese management blueprint is unambiguously superior to the West's with respect to its capacity to inculcate quality, its labor flexibility provisions, and its emphasis on cost containment. Such advantages are especially pertinent to the all-important manufacturing sector. The second conspicuous influence on Katz and Darbishire's view comes from Richard Locke (1992) who, in looking at the case of Italy, concluded that there is no international tendency towards convergence on a common template. Indeed, Locke (1992) argued that even the construct of national-level blueprints is illconceived. Hence, in light of the possibility of underestimation of intranational variation, industries themselves should mostly be the elemental analytic focus. Given such phenomena, the compromise solution proposed by Katz and Darbishire (2000) was a partial convergence view based on the global emergence of four patterns: low wage, human resource management, Japanese oriented, and joint-team based. For present purposes, such a framework is relevant for two reasons. First, it is mostly inspired by the Western experience. Second, to the extent that it embraces the Japanese blueprint, it only does so because Japan has been impressive in outperforming Western countries simultaneously on several key industry benchmarks. In other words, whereas Western nations were included for analysis by default, Japan became part of the focus because of its patently superior economic performance.

Conclusion: Management Convergence in Asia

It was argued in this chapter that studying the philosophy and practice of management in Asia – broadly conceived – is an undertaking that holds the most promise for making progress on the convergence problem. The region's aforementioned diversity and the myriad comparisons that such variance allows will be the key to progress. Furthermore, it should not escape attention that, in the twentieth century, Asian countries experienced serious setbacks and, in some cases, near annihilation; mostly due to military conflict during the Second World War, and the wars in Korea, Vietnam, and Cambodia's (Kampuchea's) civil war. In each of these cases, national recovery efforts were astonishing, both in terms of their rapidity and sophistication. Such revitalization provides the prospect of outlier data for theorists interested in comparison and contrast. Hence, and to reiterate, when it comes to learning about convergence, Asia is – or should be – the new region of interest. Along the way, it is likely to also be where scholars get to fine-tune their understanding of the twentieth century's aforementioned "how-to" problem.

It was argued in this chapter that, despite Asia's latent educative potential, such prospect indeed remains merely latent. Rather, theory has emerged in the West in the postindustrial revolution/post-enlightenment period to deal, initially with the "how-to" problem and subsequently with the comparative dilemma. Although Japan and Western-style Asian countries have been included in theorizing about the comparative question, other parts of Asia have not. Such an oversight leaves open the door for future research opportunities – and makes imperative the reading of the next chapters of this volume. Indeed, the task now is to learn as much as possible about Asian countries that have been left off the research agenda. The goal is to determine what the individual and collective experiences of these countries may add to theory about convergence so that such theory really does become generic.

In concluding, this volume summarizes key trends in management for selected Asian countries in the latter half of the twentieth century. The reader is encouraged to reflect on ideas presented in this chapter when considering the experience of individual countries. In the case of Australia and New Zealand, there has been a shift away from an emphasis on employee welfare and a concomitant move towards decentralized and individual bargaining. In the case of Japan, there has been perpetuation of an approach that was largely put in place after the Second World War. In the case of South Korea, there has been augmentation of an export-oriented industrial growth strategy with a capacity to change in response to evolving international circumstances. In the case of China and Indonesia, there has been a commitment to embrace basic standards of employee welfare and Western-style work-related institutions. Hence, in summary, for countries that have come from an employee-centered approach to labor management, the Nation-State now has less influence. Whereas, for those countries emerging from a background of military dictatorship or suppression of human rights, the changes that have so-far occurred are transitional. Nonetheless, they appear to be oriented towards establishing management strategies based on a commitment to global trade and an international commercial focus.

Cross-References

▶ Governmentality and the Chinese Workers in China's Contemporary Thought Management System
▶ In Search of the Traces of the History of Management in Latin America, 1870–2020
▶ Indian Management (?): A Modernization Experiment
▶ Introduction: Management Heterogeneity in Asia
▶ Management History in the Modern World: An Overview
▶ Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
▶ The Making of a Docile Working Class in Pre-reform China
▶ Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand
▶ What Is Management?

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Indian Management (?): A Modernization Experiment

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Nimruji Jammulamadaka

Contents

Abstract

This chapter explores the history of the emergence of management as a discipline and professional practice in India. By tracing the history of commerce education into the British period, the chapter argues that modern management in India emerged with a strong association with English language in the midst of the colonial encounter. Postindependence in 1947, this English emphasis continued. It grew through the import of a discipline from United States of America, under the modernizing aspirations of a newly independent country struggling with inferiority and developmental challenges. And in order to meet India's development challenges, Indianizing management was attempted by invoking ancient Indian texts, or adapting models and techniques to India's socio-economic and cultural context. Nevertheless, management in India has remained tethered to core Western management theories and concepts.

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Indian · British colonialism · Management practice · Bombay textile mills · Traditional work organization · IIMs · Ford Foundation

Introduction

Modern management as a body of knowledge and practices is generally understood to have emerged in tandem with modern industrialization and technological developments in the West in the late eighteenth and early nineteenth centuries, subsequently spreading to the various European colonies and to other parts of the globe. Following the World Wars, it has had an accelerated exportation and/or diffusion into the rest of the world. In such narrations of *history* of management, it is possible to ignore the intricate relationship of developments in *modern* West such as industrialization, with colonization (Bhambra 2014). However, in attempting a narration of history of management in an ex-colony such as India, it is close to impossible to disentangle the emergence of management as an occupation, institution, and academic discipline from colonization. Modern management in India emerged in the midst of the colonial encounter and it grew under the modernizing aspirations of a newly independent country struggling with inferiority and developmental challenges. Contemporary discussions on management in India, even after seven decades of independence, still bear the imprint of colonial modernizing experience. Indian management is yet to figure out what is Indian in its management.

The present chapter elaborates upon this idea. Often essays on management education in India take the setting up of Indian Institutes of Management in the late 1950s and early 1960s as the starting point. But this essay goes further back and closely examines the colonial encounter and the tryst with western modernity in the creation of the occupation and discipline of management. The chapter is organized into four sections. The first section provides an overview of Indian context of work organization and industry. The second section provides an overview of the situation during the colonial encounter. While British made their presence felt in India much before 1860, the discussion here generally looks at the period after 1860, when the British crown took over the administration of India from the British East India Company after the "Indian Mutiny," an alteration in circumstance that created new institutional contexts for work organization and production such as legal and educational systems. This continued till 1947 when India became independent. This was the period during which not only were many modern industries set up in India, but management and manager entered the Indian vocabulary (Birla 2009; Morris 1965). The third section describes the scenario during the dawn of independence which articulated a felt need for "management" as a discipline and occupation. The fourth section explores issues encountered by management as a full-fledged established discipline in India and the attempts made for Indianizing it. The chapter ends with a few conclusions.

Questions, Hypotheses, and the Course of Indian Management Development

India had had quite a productive system of work organization within its largely home-based cottage enterprise agrarian economy. It was a system that was personalized, with the household as the locus and based on traditional occupational groups and communities (along with dependent labor), rather than slave labor of the kind found elsewhere in the world. This informal system was supported by a guild like corporate arrangement known as *srenis* in which producers and traders of specific products/occupations participated (Coomaraswamy 1908, 1909; Ghoshal 1930; Majumdar 1920; Mookerji 1919) as well as a unique social organization known as *jajmani* system (a symbiotic relationship within the Indian social structure) that did not necessitate the emergence of a market-mediated exchange transactions (Seth 2015). With the rise of the Mughal Empire in 1500s, such household production was accompanied by the gradual development of a "traditional flexible manufacturing system" in which artisanal producers had limited independence and depended more on merchants and traders (Seth 2015). These systems of work organization managed to generate enough surplus to support India's thriving international trade. Trade and other production activity – excluding agriculture – contributed to 37% of the national income around 1600, a date when the British had not yet entered India (Maddison 2007: 123). High quality wootz steel, for instance, was made from sixth century B.C. in home furnaces, and exported to various parts of the world. It was even used by Egyptians (Srinivasan and Ranganathan 1997).

In the early eighteenth century, it is estimated that India had a 22.6% share of world GDP (Das 2006) suggesting that the systems of work organization and production that India had been following were working for it. It is into this household and community-based flexible work organization that modern western industry and modern western bureaucratic organization entered under British colonial rule, which began in the 1700s. At this juncture, several lines of questioning are possible. Had India not been colonized, would it still have beaten the path to such industrialization? If yes, what could have been its course? A second line of questioning could be whether India would have appropriated modern western management knowledge and practice (as a part of broader education efforts), the way it has had, had it not been colonized, but had it retained its autonomy and sovereignty (Basu 1974). One response has been to simply associate British colonialism with modern technological advancements and argue that but for British, India could never have entered industrialization and modern management. Another view has been to point to native attempts at technological development as evidence of India's own attempts at industrialization and contend that the nation's industry, work organization, and management might have evolved differently, more in line with its ethos. However, passionate such debates, they are mostly in the realm of the counterfactual. This chapter therefore does not engage in any debate about what might have occurred. Instead, it focuses solely on the turn of events and the course of management thought and practice as it occurred in India during the British period and in the early years after independence. By the time of independence in 1947, India was an impoverished nation and a laggard in modern industrialization.

Central to the modern economic and managerial transformation of India were the railways, one of the earliest modern industries to be set up in India. Established in 1830s and managed by the British, it followed a western bureaucratic style of management. Indians were employed at the shopfloor level as wage laborers and as jobbers who coordinated gangs of workmen. Just like railways, many other industries such as mining, jute mills, water ways were also owned and managed by British (Morris 1965). Since the ownership was far away, in England, a system of managing agent firms based in India was developed to manage operations in India (Prasad and Negandhi 1968). Managers were almost always British or Scottish. A British bureaucratic model of management and administration was adopted for most business organization and administration, a model which also aimed at extracting the most surplus from workers. However, the usual Indian workers combined industrial wage labor with other occupations such as agriculture which had a seasonal character to it and took regular and long absences from work (in keeping with the traditional flexible production system, there were exceptions of industries like tea plantations where workers suffered inhumanly) (Varma 2014). In order to induce workers to come back to the enterprise on a regular basis, British resorted to several interventions such as setting up of liquor shops at the gates of enterprises so that workmen spent all their wages, thereby being forced to seek more work (see Simeon 1999 for examples of strategies proposed by the British to induce workers to come back to work). The general trade and commercial environment and policy such as business law, labor laws, tariffs favored the interests of the empire more than the colony (Chandavarkar 1994; Jammulamadaka 2016). Domestic industry suffered serious setbacks (Chandavarkar 1994). Consequently, in the period between 1600 and 1947, Indian per capita income rose a meager 12%. By comparison, British per capita income rose nearly seven fold during the same period (Maddison 2007: 120). The next section discusses the gradual process of illegalization of the Indian work organization and the way in which the need for western managerial practices and education was created within the country.

Illegalization of Traditional Work Organization

During the British period, most production and commercial activity came under British control and industry. Mining, railways, jute mills, water works, and other major industries were owned and managed through British firms. In most cases, the managers were British or Scottish (IIC 1916–18). The management style not only had the imprint of industrial Britain but also a markedly civilizing flavor to it. Views such as "Labour, in its **ignorance,** is certain to make **unreasonable** demands which could not be granted without destroying industry" (Sir Alexander Murray, Report of the Committee on Industrial Unrest, 1920-1, cited in Chakrabarty 1983, emphasis in Chakrabarty) were common. In such industries, it is therefore unlikely that we can explore the workings of native organizing practices, since Indians did not have managerial authority in those places. To the extent Indians participated in these industries, they were confined to the shop floor, although some jobbers – who recruited local workers and subcontracted tasks – performed some lower-level supervisory functions (especially arranging labor supply since they belonged to the same communities).

Under British rule, there was only one industry, the textile industry of Bombay, which was dominated by Indians (Morris 1965). Bombay's textile industry, therefore, provides the opportunity to examine the colonial encounter in styles of work organization and management more closely, given that Indian owners and managers actually had the scope to do things their way and the flash points between Indian work organization and the Western approach can be observed.

The first spinning mill to be set up in Bombay was the work of an Indian in 1854, the machinery having been imported from England. Also imported into this pioneer mill were the managerial and technical staff, all of whom were drawn from Britain. Despite this initial British managerial domination, by 1895 Indians formed half the staff of managerial levels. Indians thus not only owned, managed (as both managing agent firms and managers) but also supervised as jobbers and worked on the shop floor. Here the mill had substituted the household as the locus of production. Other features of traditional flexible production systems (Seth 2015), such as relationships of communities, kinship, geographies, which sustained and organized production (or transactions in the parlance of transaction cost economics) in the household-communitarian form, continued into the mills. An informal, personalized network that spanned both within the mill and outside into the neighborhood existed. Similar to an autonomous household form, this network sustained individual autonomy of various levels of employees including workers, jobbers, managers, and owners. Even individual mill owners valued their autonomy and resisted collusion or employer collective action (Chandavarkar 1994; Morris 1965). Similar to the traditional communitarian model, the networks in the mills had reputations as an integral governing and risk managing mechanism in which the autonomy of the various members of the work organization became the basis for regular conflict both within and outside the mill. Such conflict instead of leading to breakdowns, however, more often than not formed the basis for co-operation. Conflict and resistance triggered the pursuit of dialogue and eventually cooperation (Chandavarkar 1994; Jammulamadaka 2016). Such outcomes acted to mediate intense economic competition which was a regular feature of this industry, as any perusal of the annual reports of the mill owners' association will show.

The system that applied in the Indian-owned and managed mills markedly differed from the British approach of administrative fiat as the basis of organization. Even though on paper, a similar managerial hierarchy was described, in practice, it was anything but a British work organization (Morris 1965). Organizational hierarchy and reporting relationships of a bureaucracy were not followed. Family and other traditional ties of kinship, caste, and village formed the basis for negotiating employment and job performance. This was a reflection of Indian societal character, where the public and private are not treated as "distinct, a priori spheres" (Birla 2009). Thus, work in the mill and personal life overlapped and influenced each other as a matter of routine. Workers combined industrial wage labor with other occupations such as agriculture which had a seasonal character to it. The first generation of industrial workers were mostly peasants, Indians drawn from tribal regions, and other traditional occupational communities. An individual worker's seasonal absence was managed at the mill and industry level by having a surplus of labor who worked in the mills. Decentralized authority, work sharing, and flexible labor deployment allowed management of surplus labor, tolerable working conditions, and ongoing skill development. Even though mill level labor productivity was low in contrast to other countries, it allowed workers to pursue their other, more personal and community-oriented objects. It allowed mills to manage their risk of sustaining a higher level of employment than was suggested by normal managerial dictates, a level that allowed businesses to adjust comfortably to business and economic fluctuations. Contrast this with the approach followed by British-based practices. To induce labor to continue in the enterprise, managerial practice sought to make workers dependent on the mill (Simeon 1999), restricting waged employment to the minimum number of hands necessary as per the Tariff Board's rationalization measures (Chandavarkar 1994, 2008).

Within the Bombay mills, employees and owners maintained personal networks of information which enabled decision making (Jammulamadaka 2016). Decision making and management was not a "scientific approach" to production. Instead, it was driven by trust, contingency, pragmatism, proprietary and embodied job knowledge and insights, social network capitals, and flexible and "excess" labor deployment (Chandavarkar 1994). Power and authority was diffused within the organization and provided enough autonomy at all levels to safeguard personal interests even as organizational interests were satisfied (Jammulamadaka 2016). These systems operated even in large mills employing over a 1000 people (Morris 1965).

Bombay mills, even though a modern industry that was technically imported from Britain (in terms of machinery, early managers, and technicians), survived great competition and highly adverse policy environment through its native work organization and managerial practices. It continued to be competitive in the global context of the time (Jammulamadaka 2016). The success of these mills elicited British interventions both for retaining imperial control and subordinating Indian economic interest to British manufacture. Slowly over a period of several decades, a range of laws such as the *Factories Act*, *Payment of Wages Act*, *Industrial Disputes Act*, *Trade Union Act* were enacted between 1881 and 1945 and applied to Indian industry (Chandavarkar 1994; Kydd 1920; Jammulamadaka 2016, 2018). Combined with the fervor of nationalist freedom struggle (for instance, the Civil Disobedience Movement of 1930, Quit India Movement in 1942), the debilitating strikes which hit the textile mills (between 1921and 1938, there were 430 strikes in Bombay, see Wolcott (2008)) provided a perfect opportunity for such British legal interventions (Chandavarkar 1994; Jammulamadaka 2016). These interventions consistently illegalized and forbid traditional managerial practices of coordinating production such as jobber system, informal employment systems, flexible labor use, use of temporary (*badli)* workers, shopfloor or neighborhood based conflict resolution, personal dialogue, and intervention for conflict resolution (Jammulamadaka 2016, 2018). *"…colonial officialdom interpreted the characteristic use of informality,* *discretion and protest in Bombay mills as evidence of cavalierness, whimsicality, exploitation, indiscipline and inefficiency, thereby denigrating mill practices in public and official discourse*" (Jammulamadaka 2016: 463).

In lieu of the traditional Indian systems, the British legal and Tariff Board interventions enforced a bureaucratic and impersonal system that ostensibly pursued profits and efficiency, onto the mill organization. Mill owners resisted such imposition tooth and nail, as their practices supported profits, efficiency, risk sharing, and autonomy. However, mill owners had to bow to the colonial authority and accept the "law" of the land, even though it not only violated the ethos of the land but also interfered with those features that enabled the industry to be competitive.

The Indian managing-agent firm itself posed a contrast to British managing-agent firms. Indian firms were defined by family-based patriarchal ownership and succession within the family network in contrast to a firm partner succession in British firms (Prasad and Negandhi 1968). The Indian practice emerged in the context of a tradition of nonseparation between the firm and the family (Birla 2009) and continuity of occupations within the community structure. However, these practices came under the continuous onslaught of modern bureaucratic organization propagated by British both in public discourse and in law. They acquired a pejorative and illegitimate patina (Jammulamadaka 2018; Prasad and Negandhi 1968) over time. Under colonial rule, these communitarian and informal production systems were perceived as a less modern or primitive form, rather than a different system of production. It was anticipated that this "primitive form" would be replaced by modern industrial organization. Newer and western systems of accounting and book keeping were also introduced rendering traditional forms of book keeping illegitimate. Such silencing, illegitimization, and destruction of native work practices occurred in spite of the fact that India's work practices and the ensuing performance were helping the country stay relevant in the scheme of the Empire. In a speech, in 1898 the Viceroy Lord Curzon said,

> *...whereas if we lost India, I maintain that our sun would sink to its setting...I find that the total sea borne trade for India for 1896–97 which was an unprosperous year...constituted nearly one-tenth of the trade of the whole British empire and was more than one-third of the trade of the whole empire outside of the United Kingdom...* (Speeches of Lord Curzon, GOI 1900: xxiv–xxv).

He further adds about the "*extraordinary recuperative power of the country*" "*... there has quite recently been a devastating famine in the country, and yet after the complete disappearance of the famine, India exported by sea more produce than in any previous half year...*" (p. xxv). By 1914, India had the world's third largest railway network in the world, largest jute industry, fourth largest cotton textile industry, and largest canal system and still retained 2.5% of world trade (Das 2006). However, the imprint of British industrial organization and a bureaucratic management style had come to stay.

The combined effect of continuous illegalization of traditional work organizing practices and an "orientalist" view on India was to create within the governing classes, a sense that Indians lacked the necessary "managerial skills and knowledge" required for modern industrial organization, i.e., managerial knowledge that was possessed only in the west. Even though Indians formed almost 70% of the managerial class in India by 1921 (Prasad and Negandhi 1968, citing Buchanan 1934), the lament was about lack of managerial skills and knowledge since they had not got adequate opportunities for training (IIC 1916–18).

The orientalist view – propounded and propagated by the likes of William Jones and Colebridge – located the performative greatness of Indian practices in a distant unknown past and in ancient texts and painted extant practices and society as a quagmire of decay and poverty. Under this view, it was also the solemn responsibility of the British to help India rediscover its past (through interpretation of texts) and marry it with the present. Such British intervention and recasting of India was presented as the only way out of the decay and into a reinvigorated sense of Indian greatness, a greatness that would see India secure its place in modernity (Niranjana 1992). This ideology made its way into the country's psyche through the British education system that was introduced in 1835. Though the British system initially emphasized higher education, by 1868, Lord Curzon had recognized that primary education was necessary to ensure a successful British administration and neutralize the opposition of educated Indian elite to British rule. British education system and policy thereby emphasized both primary and higher education. In the 5 year period from 1868 to 1873, primary school enrolment had increased by 25% (Basu 1974). This expansion of modern English education occurred even as traditional educational systems were being destroyed (Coomaraswamy 1908; Dharampal 1983). These interventions deemed most Indian cultural and social practices as inferior just as the Indian industrial organization itself was posited as inferior and inefficient. These led to the development of a sense of "inferiority" within the Indian psyche (Das 2006; Nandy 1994; Niranjana 1992). So deep was this sense of inferiority that even several nationalist leaders such as Nehru, India's first prime minister, began looking up to British and Western education as the means through which India could redeem itself and claim its "rightful" place it had had in global history (Jammulamadaka 2018; Nandy 1994). In subsequent years, pre- and post-independence, India's status as an underdeveloped, Third World, developing country was entrenched (Sauvy 1952, in Economist 2010), adding to the national sense of inferiority.

Together, orientalism and illegalization of traditional practice helped create a context in which Indian demand for Western education in management became an entrenched feature of national life. In highlighting the supposed need for Western management education, the Indian Industrial Commission of 1916–18, for example, declared, "*To create an industrial organisation in this country comparable to that of western nations, to build up an industrial community capable of working such an organisation, certain positive measures were required, including the provision of industrial and technical education . . .*" (IIC 1916–18: 92). The first formal training in commerce education in Asia was started in October 1913 at the Sydenham College in Bombay (www.sydenham.ac.in). In terms of content, this new management education differed from the traditional jobber system (and even contemporary management) in that there was little emphasis on developing capabilities in managing people. Instead, as the Industrial Commission's report observed about Sydenham's training, the education's focus was directed towards understanding the bureaucratic norms of British firms, it being reported that:

> It is obviously-beneficial to any Indian about to engage in commerce, who desires to rise above the rank of a clerk. . .[that education] should provide teaching in shorthand, typewriting, the methods of book-keeping and precis writing and, **above all, in modern English**. These subjects may be regarded as essential for the routine working of an office, but to them should **be added instruction** in the mechanism of banking, exchange, and foreign trade, together with such subjects as commercial geography and **a detailed study of the economic resources of India**. (p.116, emphasis added).

Governing classes both within Britain and India were acutely aware of the paucity of such modern commercial business training for Indians. The IIC report drew attention to this several times. It stated, "... *The opportunities for gaining experience were not easy for Indians to come by, and there was no attempt at technical training for industries until nearly the turn of the century, and then only on an inadequate scale*." (p. 92). In critiquing existing government educational provisioning for business, the report stated,

> . . . the system of education introduced by Government was, at the outset, mainly intended to provide for the administrative needs of the country and encouraged literary and philosophic studies to the neglect of those of a more practical character. **In the result it created a disproportionate number of persons possessing a purely literary education, at a time when there was hardly any form of practical education in existence** (p. 92, emphasis added).

Management training was already being understood as a "practical" education similar to technical and engineering training. Such "practical education" was positioned in stark contrast to "not-so-practical" literary/philosophical education. Such dichotomizing of education on the practical/impractical divide was a significant departure from traditional Indian artisanal systems of occupational training. In these household-based artisanal systems, aesthetic-technical-commercial logics were combined in a wholistic way. It was during this period in Indian history that a material division between practical and not-so-practical education emerged and practical education became privileged – a perception which continues even today in India.

By the 1920s, as the Indian independence movement began to gain momentum, Indian industrialists began asserting themselves much more. Private philanthropy also helped foster an expansion of commercial education (Jammulamadaka 2018). Much of this training was of the kind offered by Sydenham College, with a particular emphasis on the conventions of British business organization and English language. Commercial education, however, also occurred alongside an expansion of nascent engineering and technical education institutions whose educational efforts were explicitly focused on supporting industry (IIC 1916–18). By 1947–1948, there were 38 technical institutes offering degree-level courses. Collectively, these degree-level institutions had the capacity to train 2940 students. Another 3960 students were being trained annually in 53 diploma-level institutions (Phillip and Narayan 1989).

State-Driven Institutionalization of Management Education

Preparatory to India's independence in 1947, a group of eight leading Indian industrialists issued what came to be known as the Bombay Plan of 1944, a plan that sought to overcome Indian lack of private capital and capability through a socialistic pattern of development that emphasized state-intervention. To overcome continual shortfalls in terms of managerial education and training, in 1945 the All India Council for Technical Education was set up. The need for such a body was evident because, when India became independent in 1947, there was not a single postgraduate course in engineering or commerce (Phillip and Narayan 1989).

With the inauguration of an independent Indian nation in 1947, much of the legal framework laid down by the British with regards to business continued as it was. Even though Companies Act was amended to account for problems of managing agency system, labor and other laws stayed the same (Kennedy 1958, 1965). Consequently, the illegal status of "traditional ways of managing" that began during British times continued even in independent India. Further, modernizing aspirations of national elite provided the impetus for the next phase of growth in management education in the country. The first Prime Minister, Nehru, placed an emphasis on heavy industry, science, and technology as the mantra for Indian modernization. Whether it was large hydel power projects, research institutes, or core engineering and industries, all of them were set up as government entities and designed along the lines of Western industrial bureaucracies.

Reflecting the broad support for state intervention in the economy, post-independence economic policy hinged in a series of 5 Year Plans, Plans whose implementation was accompanied by the formation of a large number of state owned enterprises. These enterprises were typically headed by civil servants, who neither had the traditional knowhow of indigenous business organizations nor the entrepreneurial courage of innovative Western firms. Prime Minister Nehru's assessment of Indian managerial acumen was not flattering. At the Annual Meeting of the Federation of the Indian Chamber of Commerce and Industry in 1949 he said, "*Generally the idea is spreading that their [senior management] stature is rather small and that they get frightened at the slightest upset and start complaining and retiring into their shells and asking others to help them*." (cited in Dasgupta 1968: 7). Unlike Gandhi, he also did not hold industrialists and capitalists in much regard (Sundar 2000). Such beliefs bolster the desire for a formal training in modern western management for existing captains of industry. It was expected that such training would help overcome traditional business "inefficiencies" and enable educated risk-taking and contribute to India's growth.

Echoing earlier views of Indian Industrial Commission (1916–1918), trained management was seen as arguably India's scarcest natural resource, a scarcity that was holding back the country's industrial growth. However, by this time commerce education or the Bachelor of Commerce degree had fallen out of grace. By contrast, "scientific management" and an MBA degree was catching up, it being held true that the utilization of modern management techniques was of particular importance in industrial engineering and associated operations.

During the first Plan period of 1951–1956, the All India Council for Technical Education (AICTE) was tasked with ensuring a trained workforce for achieving India's planned industrialization. In 1951–1952, a special committee of AICTE examined the need for specialized management courses. Based on the Committee's recommendations, a Board of Management Studies was set up in 1953 under the Education Ministry. Pursuant to the Board's recommendations, part-time, postgraduate level management courses for junior executives were started in four universities in Calcutta, Delhi, Madras, and Bombay. These management courses were positioned differently from the commerce courses of the previous era. Two tracks were envisaged. The first track provided training in business administration for arts and commerce graduates. The second track instructed engineering students in industrial administration (Chandrakant 1973; Dasgupta 1968; Hill et al. 1973). Part-time courses were preferred as universities had no prior experience in teaching management courses. The Board of Management Studies – anxious that the MBA should not "*degenerate... to the level of the much-criticised B.Com degree*" – exercised considerable oversight, even providing specific recommendations as to course content (Chandrakant 1973: 17). Despite such interventions, the "management" courses taught at the universities overseen by the Board were typically designed based on foreign text books and practices that were in vogue in advanced countries of the time. Indian adaptation was carried out by "*including appropriate topics in different subjects in order to make the participants aware of the country's industrial and other characteristics and their impact on management*" (Dasgupta 1968: 65). Eventually, the first full time MBA program patterned on a Harvard style MBA was initiated in Andhra University in 1957 by Professor Das who had returned from Harvard (www.andhrauniversity.edu.in), an outcome that indicated the primacy given to Western-based models in general and the United States-based educational models in particular.

To meet the specific management training needs of senior executives, the Administrative Staff College of India (ASCI) was set up in 1957 under joint business and government oversight (Chandrakant 1973; Dasgupta 1968, Hill et al. 1973; Sinha 2004). Patterned on London's Henley College, the Staff College offered 12-week general management courses. Not a single faculty member was an academic. Faculty were instead drawn from distinguished industry practitioners and a syndicate method was followed for imparting training (Sinha 2004). The syndicate method involved facilitating experience sharing and problem-solving in groups with participants drawn from the same organization. The success of the ASCI initiative in building the capacity of senior management in Indian industry and bureaucracy can be ascertained in the fact that the Government increasingly looked towards ASCI for building managerial capacity in state-owned enterprises.

Another important change was heralded in 1952 when the Ford Foundation established offices in India under the direction of Douglas Ensminger, the organization's head in India. Ensminger was a man who believed that India would have developed differently if it had thrown out the British pattern of liberal education with the same intensity with which it threw out British (Staples 1992: 32). Ensminger was aware of India's deficit in "managerial capacity" and responded by establishing a long-term institution building program under the Foundation's umbrella. Ensminger's plans for institution building found ready resonance within the Indian elite establishment including the likes of Prime Minister Nehru, Minister for Scientific Research and Cultural Affairs Prof. Humanyun Kabir, Vikram Sarabhai, and other industrialists who shared modernist aspirations and believed in the superior capabilities of the West and United States. Ensminger cultivated the view that India's economic growth would be more effectively fostered if the nation abandoned British-style training in commerce and adopted instead the United States' system of managerial education, a system that gave a preeminent place to Masters in Business Administration (MBA) programs. To foster support for American-style management education, the Ford Foundation, over many years, systematically sponsored awareness visits to American business schools of chosen members of India's elite, visits that helped impress the benefits of American management education and scientific techniques over educational systems that focused on the liberal arts. The Ford Foundation was also seminal in the creation of an All India Management Association, funding senior management training programs both through ASCI and outside of it. All this served to create a market in the country for American management education (Taylor 1976; Jammulamadaka 2017; Sancheti 1986; Staples 1992). The post-War shift in the global balance of economic and military power also had an effect on education as India increasingly looked towards United States for exemplars in its pursuit of industrial growth directed towards the establishment of a modern industrial economy (Jammulamadaka 2017). Summing up the general view, Professor Dasgupta (1968: 169) – who served as head of the Department of Business Management and Industrial Administration at University of Delhi, one of the places that imparted the earlier form of Board-approved MBAs – said "*the only country which has the appropriate resources for giving aid to India for the development of Management education ...is the USA. Its superiority in respect of organisation . . . and their success has been acknowledged all the world over.*"

The size of the task of management education in India is indicated by the fact that in 1960 a Government committee estimated that by the end of the decade India would need a further 4000 personnel trained in technical management, and 7200 trained in general and commercial management, to meet its industrial goals (Chandrakant 1973). Another estimate indicated that during the years between 1961 and 1976 over 145,000 managerial personnel would need to be trained (Chandrakant 1973). Few companies placed a premium on firm-specific training. Only a few enterprises, located mainly in the banking and railway sectors, had introduced in-house staff training facilities. Among foreign-owned companies, the situation was even more dire with less than 3% of the 560 foreign companies present in India at that time having comprehensive training programs for staff. The consequence of this was that Indians were being chosen for managerial roles without the expected training and knowledge. This aggravated perceptions of lack of managerial capabilities within the country, perceptions that reinforced the view that India's progress was being held back by a lack of managerial talent and that urgent action was required to shore up this vital resource for industrial growth. The Ford Foundation sponsored team that visited America in 1959 concluded that a "*state has now been reached when whole-time programmes, catering for a limited number of students in the initial stages, should also be started at the centres which, at the instance of the Government of India, are already conducting management courses*" (cited in Dasgupta 1968).

Between 1959 and 1962, the Ford Foundation also sponsored a series of visits to India by Professor George Robbins, a business Dean at the University of California at Los Angeles. His subsequent consultancy report provided the blue print for the setting up of two Indian Institutes of Management (IIM) in Ahmedabad and Calcutta, respectively, as state supported institutions. These IIMs were set up as autonomous institutions outside the university system (which followed the British model) in 1961–1962, being designed so as to effect a clean break with commerce and management teaching as it had previously been conducted in India. The Ahmedabad IIM was mentored by Harvard and the Calcutta IIM by MIT. Faculty from Harvard and MIT stayed in India, setting up academic protocols and procedures, course pedagogy, admission procedures, and administrative norms and practices. Indian faculty were trained in the respective institutions, and a long period of transition was worked out so that fidelity to American pedagogical and academic contents could be maintained even when the institutes were run completely by Indian faculty. The authority of the American mentors was almost absolute. For instance, Indian concerns that an admissions test in English would entrench educational elitism were set aside. Subsequently, an English-language admission test patterned on the American Graduate Management Aptitude Test was adopted, a test that continues to be used today (Sancheti 1986). Courses were offered in various functional areas such as marketing, organizational behavior, economics, finance and accounting, business policy, etc., an outcome that led to the creation of disciplinary silos that began displacing traditional views of wholistic interconnectedness in business. The Indian adaptation of MBA was carried out by adding specific content on Indian business history and social structure as special courses, in a manner similar to the first Bachelor of Commerce degree course. Harvard even supported the preparation of several hundred Indian teaching cases that could illustrate the same western theories and models!

Thus, management was imported and absorbed into India from America as a set of universally valid techniques and body of truths. The India in this education was only a contextual factor, a context in which the insights on social structure and business history (much of which was written from "orientalist" and/or western perspectives) held India's tradition responsible for its state of underdevelopment. Indian here only meant descriptions of Indian organizations. Hardly any western theories were tested for their validity in the Indian context, even though there were constant refrains questioning the validity of such extensions, especially within the organization behavior discipline. This education contributed significantly to silencing the wisdom and practices of traditional work organization which – in spite of an adverse public opinion – continued to survive in a subterranean and often illegal fashion. The assertions of the American mentors that they had not found any suitable model of management in India were unquestioned (Jammulamadaka 2017).

Indianizing Management Education

By the time of the third 5 Year Plan (1961–1965), discussions of higher technical and managerial education had given way to specific delineation of the issues management education had to cover: secure adequate return on capital employed; increase contribution to national resources; make organization more efficient and effective, "*how best to manage, not just set up establishments,*" i.e., careful planning, good management, cordial worker and management relationship, prompt operational decisions, greater delegation of authority, flexibility in operation, identification of remedial areas (GOI Third 5 Year Plan). The Third Plan document stated:

> Lack of delegation within the enterprise is another common failure... usually accompanied by a failure to define responsibilities and duties. ....Luck (sic) of quality of managerial personnel is another factor prejudicing the success of an enterprise....often the key positions are held by people who do not have the requisite training ...The consciousness of profit and cost is also not as widespread as is necessary. The purpose of management should be to secure economic efficiency; cost consciousness is necessary to achieve the desired results.

These articulations of the challenges of managing public enterprises defined the early mandate for Indianizing management education in the country post-independence. Meanwhile, the early graduates of IIMs mostly found employment within the foreign multinationals operating in India (Sancheti 1986), receiving lucrative pay checks in comparison to others. The rising salaries and social status of the graduates led to increasing demand for such education. The success of these graduates was read as direct evidence of the ability of management education to offer growth for the country. The first Indian chairman of the Indian subsidiary of Unilever, Prakash Tandon, observed, "*That a developing economy needs management even more than resources is now becoming abundantly clear to all students of growth*." (foreword to Prasad and Negandhi 1968). However, with the graduates opting to serve multinationals, the needs of India's diverse sectors continued to be unmet. In this context, the first form of Indianizing management education occurred through the setting up of targeted, sector-focused management schools. IIM Bangalore, for example, was set up in 1973 to meet the specific needs of state-owned enterprises. The Institute of Rural Management was set up for serving the needs of rural, agricultural, and dairy sectors. These schools taught the same management theories and models and added additional courses and contents that dealt with their sectoral focus. *Managerialism*, an "*acknowledged Western concept*" was translated as the "*...effective deployment of human and material resources...a whole* *spectrum of those activities which are imperative to augment industrialization in a country.*" (Prasad and Negandhi 1968: 4).

Developing Instruments and Concepts for India

A second mode of Indianizing occurred as a response to perceived foreignness of management knowledge and practice. Located firmly within the Western social science traditions, some scholars took to the task of examining foreign theories, especially those relating to human behavior in the Indian context and sought to adapt them to India. The development of the human resource function by TV Rao and Udai Pareek echoed some of these sentiments. A recent reminiscence of that period states,

> At a time when India was still an underdeveloped country and the importance of human factor in organisations was not adequately recognised, Pareek's work focussing on human processes, OD, and institution building in some sense raised the level of thinking of emerging management profession and HR professionals. . ..His pioneering work with TV Rao ... led to an effective and integrated framework of HRD, which was far more comprehensive than the understanding of HRD by the West at that time." T V Rao and Khandelwal 2016: preface).

Despite their focus on Indian-specific issues and understandings in adapting organizational behavior concepts such as motivation and role efficacy, the reference point for such theories remained rooted in Western management education. It was argued, for example, that since an employee spent significant period in the organization, it was the moral responsibility of the employer to provide for the growth and capacity development of the employee, viewpoints that were instrumental in stimulating companies to set up human resource departments rather than just focus – as most previously had – on reactive industrial relations strategies (Rao and Khandelwal 2016; Rao 2010; Sullivan n.d.). For most of those operating within this genre, India's cultural difference and social structure was seen as an important influence on management practice (Jammulamadaka 2017). Research was carried out into developing and adapting psychometric instruments that were culturally attuned to India.

Self-criticism of Management in India

Although often embraced by foreign-owned firms, the graduates of the two early IIMs found lukewarm receptions within Indian firms and public enterprises. Accordingly, their faculty spent much time and many resources persuading captains of Indian industry about the suitability of the graduates (Paul 2012). Many "*wondered how these youngsters would add value to their operations. . ..Indian companies and, in particular family enterprises, were more negative in their responses than foreign firms. . .*" (Paul 2012: 87). Despite such tepid initial receptions, the demand for management education within the country grew exponentially during the 1970s. By the late 1980s, management education was being provided by 60 university departments, four IIMs, and 35 other institutions (usually sectorally focused), each offering a variety of management education programs (Phillip and Narayan 1989: v) with vast differences in quality. In this increasingly crowded market, IIMs not only retained the quality crown but were also accused of elitism, of being only open to an urban, English speaking elite (Rao 1989 and Tandon 1989 in Phillip and Narayan 1989).

The success of managerial education in terms of the social status of its graduates ensured that the relevance of such education to the country remained constantly under scrutiny. Some questioned the appropriateness of government subsidizing such education given that the graduates hardly served the nation's needs (Nanda Committee on reviewing IIMs), Shankar Narayan (1989), Professor at IIM Bangalore remarked,

> It is no secret that most of the output of MBAs are absorbed by western-oriented Private and Public Sectors leaving high and dry other sectors which are in real need of management. To entertain any expectations contrary to the obtaining situation would have been naïve, since the purpose of setting up IIMs, . . . their curricula, their value systems, their program orientation, . . .create" such outcomes. (1989: 29).

Others questioned the content and curriculum of management education. During the 1970s, management education and practice was dominated by various techniques of scientific management. A survey of Indian industry by one school NITIE found that techniques such as method study, work study, work sampling, production planning, and inventory control were being followed by over 50% of the industry. Even within course curricula, ergonomics was an important part of behavioral sciences courses just as procedure analysis was in operations courses. (Chandrakant 1973). Such emphasis on techniques and methods began to elicit criticism. A joint educational advisor to Government of India opined in 1973,

> . . . the need to do away with traditional concepts is very great . . . the most difficult part of management education is to retain those parts of the traditional systems which are both appropriate and effective . . . One of the important parts of management education is to build in the student of business management, precisely this discrimination. (Chandrakant 1973; 10).

While views questioning the relevance of western management education continued all through the 1970s, they gathered momentum in the 1980s. By this time, India as a nation had had experience both with management education (for close to two decades) and with modern Western state, governance, and institutions for almost four decades. The young independent nation had had its share of disillusionments with modernity and western institutional structures. The hopes that after independence India's many problems such as poverty would be resolved were crashed. The famines in the 1970s shook the country's faith in the capability of its government. The rise of Naxalite (neo-Marxist) insurgency was one symptom of this condition. This disillusionment was reflected categorically in the concerns of several speakers at the first ever national conference on "policy implications in management education" held at IIM Bangalore in 1988 which questioned the contents of MBA programs that were widely taught. While prima facie a case of educated elite talking to itself, this was also the first opportunity the Indian management academics had to engage in an interrogation of the knowledge that had been transferred from the United States in previous decades, knowledge which had found ready market in India. These academics while part of the system they were critiquing were different from the modernist elite who had been instrumental in bringing in management education into the country. It was also a case of self-reflexivity and was in keeping with the ethos of India where the educated were expected to be more conscious of their wider social and moral responsibility. At this conference, Kamala Choudhary, an IIM professor and key note speaker, stated,

> What we have today in terms of Indian education and therefore of the attitudes, orientation and values, of the educated class are, to use Macaulay's language . . ..Indian in blood and colour, but English in taste, in opinions, in morals and in intellect. . ..Management education. . . has built an edifice of learning but has deprived it of its foundations- foundations which are rooted in the social, economic, political and cultural life of the people. . .. Management education should be not merely leaning technocratic calculations but understanding the milieu in which decision making is effective" (Chowdhry 1989; Phillip and Narayan 1989: 17–18)

The Chairman of IIM Bangalore Prof. Abad Ahmed who was also a member of the Planning Commission added in the same conference, "*presently apparent disorientation in values, concentration on a few sectors, methodologies and narrow syllabi will have to be corrected by providing for both value orientation, broad-based education as well as technique orientation.*" (Ahmed 1989; Phillip and Narayan 1989: ix). Yet others dismissed management education and schools totally, "*Management education may be good but it does not serve our needs . . .Management schools are totally irrelevant. You give us only American education. You have not produced any Indian education*." (Phillip and Narayan 1989: x).

Such criticisms created pressure for further Indianizing of management education. Kamla Chowdhry opined in her address, "*If management education in India has to have an identity (sic) of its own, it must have its own views and ways of thinking about progress, development, responsibility, authority, commitment, etc*." This "own view" took the form of a re-engagement with Indian values. In keeping with the "orientalist" approach that still permeated India's education system (which continued more or less as is from 1835), Indian values and tradition were understood as a fixed, frozen body of knowledge and philosophy that was locked in sacred and revered texts. Indianizing thus occurred through recourse to invocation of revered and sacred texts such as the Bhagavad Gita. Such texts were invoked to provide evidence of an Indian's spiritual orientation to work. Strategies of meditation, karma ethic discussed in these were invoked to improve employee's stress management abilities and motivation levels. The Management Center for Human Values set up at IIM Calcutta in the 1990s is one instance of this. Unfortunately though, this remained a strategy of cherry picking. Generally only those aspects that contributed to making a worker docile and apolitical were invoked. All other critiques of human behavior implicit in those texts were ignored.

Conclusion

The history of management in India is not a story of pursuit of technological efficiencies or profits. Instead, it has been fashioned out of power, the colonizer's power. Sometimes, this has happened by the direct visible invocation of authority to create laws defining the course of management. At other times, power has operated in more subtle and enduring ways by influencing perceptions of what counts as "management" or even "Indian" and simultaneously illegitimizing existing native practices and/or valourising a few ancient texts. Emerging as a part of the imperial efforts of managing a colony, English as a language has remained integral to defining the character of modern western management in India, its contents and constituents.

Consequently, the Indian in all the above attempts at Indianizing management outlined above are accessorized to a core western management theory in vogue. Even though it is common knowledge that traditional practices such as use of jobbers and personal networks continued to be practiced even in contemporary India, modern management in India in its quest to overcome inferiority and become a developed nation has continued to ignore such living traditions! Hardly any conversation has occurred between traditional business practice and modern management.

> The fact is that the main stay of Indian industrial business is managed through indigenous talents, processes and know-how, though surprisingly, researches and publications in the field of management in India so far tend to give a lower order priority to them. (Tandon in Phillip and Narayan 1989: 77)

So, the question what is Indian in Indian management remains open. The colonizers have left, but colonization of knowledge and thinking has not. Tracing the course of management in India in more recent times, in the era of globalization and neo-liberalization, business schools' pursuit of internationalization and accreditation would be equally fascinating and equally revealing of the colonial imprint. However, such an enterprise has to be set aside for another time.

Cross-References

Governmentality and the Chinese Workers in China's Contemporary Thought Management System
In Search of the Traces of the History of Management in Latin America, 1870–2020
Introduction: Management Heterogeneity in Asia
Management History in the Modern World: An Overview
Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
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The Making of a Docile Working Class in Pre-reform China

59

Elly Leung

Contents

Abstract

The aim of this chapter is to analyze how the Chinese Communist Party (CCP) Chairman Mao Zedong attained his status of rightful ruler by embedding the Confucian values in his concept of mass participation to create docile bodies and minds among the Chinese workers. In so doing, this chapter draws on Michel Foucault's (ed. Rabinow P, The Foucault reader: an introduction to Foucault's thought. Penguin, Harmondsworth, 1984/1991) genealogical (or historicalization) account to trace the key historical events that spiritually and bodily made a docile working class in Mao's period. The chapter argues that this mindset was a central component in maintaining Chinese workers' subordination to the Chinese rulers in the past and even in today's China.

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Introduction

As a supposedly socialist society, the legitimacy of the Chinese Communist Party (CCP) has long rested on its claim to represent the interest of the Chinese industrial working class – the proletariat. In broad brush, the founding principles of the Chinese State were spelled out by the CCP Chairman Mao Zedong with a speech that was subsequently published *On the People's Democratic Dictatorship*. In this speech, delivered a few months prior to the formal establishment of the People's Republic of China (PRC or China) on 1 October 1949, Mao (1949/2013: 4) defined the "people" as "the workers, the peasants, the urban petty bourgeoisie and the national bourgeoisie." By categorizing "the people" into different classes, Mao further declared that "the people" were "led" by the "working class" – an alliance of workers and peasants (proletariats or masses) – and the CCP. From these principles, Mao proclaimed his theory of "New Democracy" as the basis of the CCP policies, a form of "democracy" that associated communism with the direct and active role of "the people" in Chinese politics to resist the class domination characteristic of "imperialism, feudalism and bureaucratic capitalism" (Mao 1949/2013: 5–7). Explicit in Mao's outlining of the principles of the Chinese State was a very different understanding of civil society to that found in Western liberal democracies. Where Western liberal democracies perceive the "State" as a neutral force, and class conflict as something that needs to be alleviated, Mao's understanding of "People's Democracy" was theoretically built on the reverse: on the constant mobilization of the "people" and the "working class" in an ever-present class struggle. Implicit in Mao's understandings of ever-present class conflict and popular mobilization was the elimination of the traditional Confucian link between the ruler and the ruled. Instead of being built on mass conformity, the new Marxist doctrine spoke of equality through political integration of the masses. As Weatherley (2006) has suggested, Mao's revolutionary concepts built around ever-present mobilizations became the backbone of the socialist policies for "New Democratic China." In the mid-1960s, commitment to these policies was manifest in the mass mobilizations associated with the Cultural Revolution (Bridgham 1967). Subsequently, these phenomena were framed by the Marxist exponents as evidence of continuous working class struggles, emerging from below, directed in a class struggle against lurking "capitalist movements" (Chen 2006; Hurst 2008, 2009; Lee 2000, 2002; Walder 1991; Walder and Gong 1993). Over the years, a plethora of studies have taken up this theme, producing an academic narrative built around the centrality of the Chinese proletariat as the de facto "masters of the State," a discourse that perceives a continuing collective class consciousness among workers in the socialist China (Chen 2006; Lee 2000; Walder 1991; Walder and Gong 1993).

Against this background, this chapter suggests that the concept of mass participation in Chinese politics was used as a discourse in enabling Mao to monopolize his political power and to establish himself as a legitimate ruler of China. The chapter argues that Mao's political legitimacy was drawn on the Confucian elements to internalize *Mao Zedong Thought* (or *Maoism*) (Mao 1949/1966) – a blend of Marx and Mao's revolutionary ideology associated with his charismatic authority (Chai 2003; Fu 1974) – in the minds of Chinese workers through the symbolic mass participation in politics. The aim of this chapter is to analyze how Mao attained his status of rightful ruler by embedding the Confucian values in his concept of mass participation to create docile bodies and minds among the Chinese workers. In so doing, this chapter draws on Michel Foucault's (1984/1991) genealogical (or historicalization) account to trace the key historical events that spiritually and bodily made a docile working class in Mao's period. The chapter argues that this mindset was a central component in maintaining Chinese workers' subordination to the CCP. This chapter begins with a brief discussion of the purposes and methods of Foucault's genealogy and his uses of this tool to question the development of thought, before applying the tool of genealogy to analyze how "Chinese workers" were historically constituted into "docile bodies and minds" in successive historical periods through to Mao's China. The chapter concludes with considering the implications of this "thought construction" for the Chinese working class in the present day.

Genealogy and the Uses of History

> The process writer would thus be interested in how the particular *now* generates its context, as well as how the context makes the particular achieve being in a specific way. If there is a guide, supplementing Nietzsche's urge that we build our own way in our study, it would be Foucault's (no doubt Nietzsche-inspired) genealogical tracing of how the particular has become what it is today, and, focusing on the particular, in the context of its emergence, studying how it generates its context where we presently find it. (Helin et al. 2014: 13)

Mao Zedong, as a Marxist, perceived history as a process of class struggle, driven by a constant dynamic for change. By contrast, the French philosopher-historian Michel Foucault (1976/1978: 100) declares in *History of Sexuality* – originally published in French under the more apt title of *La Volonté de Savoir* ("The Will to Know") – that "it is in discourse that power and knowledge are joined together." In the same work, Foucault (1976/1978: 86) also accurately observes that "power is tolerable on the condition that it masks a substantial part of itself. Its success is proportional to its ability to hide its own mechanism." In other words, in any society the survival of those in a position of domination primarily depends not on coercion, but rather in those who are ruled sharing the acceptance discourse, a discourse that masks the reality of power imbalances and inequality. In his essay *Nietzsche, Genealogy, History*, Foucault (1971/1977: 150) also notes that accepted accounts of "history" – of what is historically "true" – always exist in the present as "the endlessly repeated play of dominations," of accepted rules and "rituals" that "permits the perpetual instigation of new dominations." As such, Foucault (1971/1977: 150) accounts of what is accepted as historically "true" have not so much a history, as a "genealogy," a process in which certain groups and individuals construct a "history" that is popularly held to be true. In other words, "history" is socially constructed, a superior form of discourse, a discourse whose "genealogy" cannot only be traced and understood but also combated, resisted, and overturned. Arguably, nowhere in the world today does Foucault's concept of "genealogy" of greater applicability than in China, a place where understandings of what is historically "true" have been meticulously crafted.

One of the essential characteristics of Foucault's genealogical approach is his rejection of the notion of continuity that underpins much in traditional historiography (Gutting 2003; O'Farrell 1989, 2005). While history, by definition, is about the past, Foucault perceives it as a form of knowledge and at the same time a form of power that constitutes the "truth" about "how things are" in establishing the basis for modern *episteme* (or knowledge) (Poster 1982) to form the foundations of human perceptions and ways of thinking (O'Farrell 1989). In this respect, Foucault's (1970/2002) critique of knowledge (or episteme) is that traditional historians' efforts to write history in a way that maintains and reinforces a continuous status of knowledge, such as "sexuality" and "madness," to reflect "where we are," "who we are," and "what we do" are inevitably resulting from cumulative knowledge of causes and effects (Gutting 2003; Hook 2005). As a result, Foucault calls for a suspension of the notion of continuous progression alongside the intellectual landscapes of necessary forms of thinking to instead develop an "effective history" (a genealogical study or "history of the present") by focusing upon the fragmentary nature of histories (Nicholls 2009) to free our thought "from what it silently thinks, and enable it to think differently" in our present day (Foucault 1978/1990: 9).

Confucian (*li*) Rules: A Genealogy of Chinese Workers

Foucault's genealogical approach has informed the interpretation of key events in Chinese histories that are drawn on in this chapter to explore the constitutive methods exercised by the Chinese Communist Party (CCP) Chairman Mao Zedong (1949–1976) (Teiwes 1997) and his followers (the Maoists) to create a docile working class as a technique to legitimate his authority. Although much has noted the imperial order associated with the Confucian values were substituted by orthodox Marxism since 1949 (Mathur 1987; Goldman 1975; Tsou 1986), it is argued that the "Chinese Marxism" was used to reshape the thoughts and behaviors of the working class according to the CCP and Mao's purposes through the so-called mass politics that were frequently, albeit selective, referenced to the Confucian past. Thus, the Confucian-related events are selected for the exploration of the making of a working class in Mao's period by investigating how Confucianism produced important – but hidden – rules to continuously constituted filial practices to maintain docility among workers and the hierarchical power of rulers in Chinese histories (Grasso et al. 2009).

Originating in the pre-Confucian primitive society as early as 2070 B.C.E., *li* 禮 rules were predominately associated with the concept of *tian*天 (heaven) and *di* 地 (earth) (Zhou c. 1100 B.C.E./1930: 168) to make it mandatory for the Chinese on earth (the low) to naturally worship the spirits of the heaven (the high) (Zhang 2014). Based on this utmost filial practice toward the spirits, *li* rules were transformed into mandatory rules of conduct by various emperors to standardize Chinese thinking and behaviors to maintain the monarchical power of the rulers from the Zhou Dynasty (13th B.C.E.) onward (Grasso et al. 2009). Zhou Gong (922 B.C.E.–900 B.C.E.), who was the sixth king of the Western Zhou Dynasty (1040 B.C.E.–771 B.C.E.) (Melton 2014), modified *li* rules to facilitate the making of a social hierarchy to differentiate the social ranks of the noble (the high) and the peasants (the low) in a feudalistic social system (Zhou c. 1100 B.C.E./1930). To fortify the dominant position of the royal ruling classes and maintain the status quo, *li* rules were subsequently linked to a code of capital punishment (or death penalties – *sihsing*) to forbid certain speech, thoughts, and actions among the masses under the laws of the ancient Zhou.

The criminal code enacted by the Zhou Dynasty exemplified *li* rules that focused on the true values of filial piety (*xiao*孝) (Zhou c.1100 B.C.E./1930), through which the violations of the stated prohibitions and restrictions were subject to forms of torturous capital punishments. Methods of torture and execution ranged from being boiled in oil or water to being stoned or crushed or "death by a thousand cuts" (or *Lingchi* 凌遲 in Qing criminal code) by slicing the body of a confessed criminal with a maximum of 3600 cuts, in a public space (Brook et al. 2008; Miethe and Lu 2005). The punitive logic of these public punishments was directed toward the protection of the truth of the *li*, that is, the conduct of filial piety through a political ritual of judicial torture by producing pain in the body of a convicted criminal to demonstrate the sovereign's power for all to see. By vislizing the supreme power of the sovereign, the torturous public executions served to suppress the thoughts and actions of the masses in order to secure the hegemony of the ruling classes in the feudal society (Lu 1998).

Using Zhou *li* as a template, Confucius (c. 475 B.C.E./2003) sought to legitimize dynastic *li* rules by rectifying social ranks and names to establish an orderly set of social relations of the high and low positions, such as the father and the son, the older and the younger brother, and the husband and the wife, under a truth of the "Mandate of Heaven" (*tianming*天命). In the Confucius discourse (c. 475 B.C.E./2003), the "Mandate of Heaven" articulated the individuals' true positions that then identified their life tasks and responsibilities in their *ming* 命 (fate or destiny). These were predetermined by *tian* 天 (or heaven) from birth:

> The relation between superiors and inferiors is like that between the wind and the grass. When the wind blows across it, the grass must bend. (Confucius c. 475 B.C.E./2010: 111)

The Confucius truth (c. 475 B.C.E/2003) of the "oneness of nature-human" (*tianren tongxing*天人同行) order in the doctrine of the "Mandate of Heaven" codes of *li* moral conduct emphasized as paramount the need to accept and obey the "natural" ruling order and the power of superiors imposed on *ming* by *tian*. Superiors, such as the emperors, were regarded by Confucius as the "Sons of Heaven" (*tianzi*天子), with divine mandates to rule and control the lower classes (or inferiors) (Confucius c. 475 B.C.E./2003; Grasso et al. 2009). A challenge to the "Mandate of Heaven" of the ruling classes (or superiors) by inferiors was to disobey or deviate from the *li* codes of conduct (Confucius c. 475 B.C.E/2003). These codes of proper conduct of filial piety and obedience to superiors were central to Confucius thought to regulate the social behavior of the inferiors, such as son, wife, and pupil, by reaffirming their given status imposed by their *ming* (Confucius c. 475 B.C.E./2003).

By connecting the truth of *ming* with individuals' status (or positions), the followers of Confucius (or the Confucians) sought to inculcate a morality of obedience (or a mentality of respect for authority) into their mindsets in order to create an orderly society (Fouts and Chan 1995; Rojek 1989). In this context, the Confucian *li* rules prioritized the moral teaching of proper conduct from the moment of birth (Fouts and Chan 1995). One example was the teaching of filial piety to children (Rojek 1989), which contributed to influencing and correcting individuals' actions by their given status in broader contexts, such as community schools and extended family networks. By socializing an individual in the practices of education and culture, one's behavior became observable to others (Fairbank and Goldman 2006; Rojek 1989). In this way, individuals' behavior became increasingly regulated by others based on a collective moral judgment of others and the self (Fairbank and Goldman 2006; Rojek 1989). The creation and maintenance of the culture of obedience had thus enabled the royal ruling classes continued to produce docile bodies and minds to serve their interests until the Qing Dynasty – the last imperial dynasty – in China (Grasso et al. 2009; Rojek 1989).

Toward the final years of the Qing Dynasty, Western moral values that challenged the Confucian tradition were introduced into China (Chen 2002; Dreyer 1993). The inability of the Qing emperors to stop the imposition of Western influences through foreign trade relations, diplomatic missions, and ideas of democracy made it difficult for the Chinese State to exert the control they would have liked over people's lives (Whyte 1988). Social conflicts, such as the Boxer Rebellion by peasants to oppose the European and Japanese power in 1900, and particularly after the fall of the Qing Dynasty in 1911, became apparent as the nation came to be characterized by cultural diversity (Grasso et al. 2009). In the period after 1919 (the "May Fourth Movement"), Chinese pro-Western intellectuals asserted that the "backwardness" of Confucian culture was the cause of individual passivity, and it accounted for the restriction of individual freedoms (Mao 1967/1986). The May Fourth Movement (1915–1922) was brought about by the complete rejection of Confucian values by advocating a substitution of Western values, such as democracy, egalitarianism, republicanism, and Marxism. See Grasso et al. 2009) Subsequently, new Western cultural and political values, ranging from socialism to liberalism (Mao 1949/1966), were advocated as alternative moral frameworks to guide Chinese society.

The "Demise" of Confucianism Under Mao Zedong

With the formal establishment of the People's Republic of China (PRC or China) following the victory over the anti-Japanese War (1937–1945) and Kuomintang (KMT or the Nationalist) Party in the Chinese Civil War (1946–1949) (MacFarquhar 1997), the Chinese Communist Party (CCP) – as a product of the "May Fourth Movement" between 1915 and 1922 – deplored the "intolerable elements" of Confucian values, exalting instead the socialist ideology (or Stalinism) of the Union of Soviet Socialist Republics (USSR or Soviet Union) (Leung 2016; Whyte 1988). By embracing Stalinism as a base, the CCP Chairman Mao Zedong (1949/1966) (1949–1976) – who was perceived as the charismatic leader with his prolonged character of his revolutionary struggle for the "New China" – subsequently developed Marxism-Leninism into the *Thought of Mao Zedong* (or Maoism) to impose revolutionary ideologies, that is, to destroy the system of private property ownership, for Chinese model of socialism. However, post-1949 Chinese society was characterized by a relatively small middle-class population dominating a much larger urban proletariat in the cities. Despite this, Chinese society was also characterized by a relatively small number of landowners dominating a greater number of peasants in rural areas (Chen 2013). Over 80% of the entire Chinese population resided in the rural areas, while less than 20% resided in the cities (Chen 2013). For this reason, Mao emphasized the important role of peasants, rather than the proletariat as identified by Marx and Lenin, in the success of the Chinese revolution (1949/1966). Mao contended that the virtues of the peasants, such as purity and simplicity, were the strengths of the Chinese people because they could be taught, educated, indoctrinated, and "proletarianized" by the CCP to transform society (1949/1966).

The *Making* of a Chinese Working Class

Hence, while denouncing a range of Confucian values, Mao initiated the Confucian-inspired thought reform program *zhengfeng* 整風 (or "Rectification Campaign") (Mao 1949/1966: 2) to impose his revolutionary ideologies on the Chinese masses in the already poor China (Chen 2013). In contrast to the models of Marx and Lenin, who believed a revolutionary consciousness was derived from one's economic and class conditions, Mao insisted that reforming one's consciousness to alter norms and behavior was a more effective way to accomplish a socialist society (1949/1966). To achieve this purpose, Mao sought to revolutionize the peasants to get them to adhere to the truth of Maoism (Guo 2013). In this context, the Confucian inner control technique was once again manipulated to define the destiny (*ming*) of the Chinese inferior masses by facilitating their internalization of the correct Maoist truth (Rojek 1989; Pye 1999).

Manipulating the Chinese *ming* was exercised through Confucian thought control methods by turning the masses into a total obedient instrument of Mao (Schram 1969; Pye 1986; Teiwes 2000; Landsberger 2002). To begin with, the CCP sought to align the correctness of Mao's ultimate truth and leadership with Marx and Lenin to legitimize his hierarchically superior position:

> In our Party, there are no special privileges for individuals; any leadership which is not exercised in the name of the organization cannot be tolerated [. . .] We obey the Party, we obey the Central Committee, we obey the truth; we do not obey individuals. No individual merits our obedience. Marx, Lenin and Mao [Zedong] have done their work well; they represent the truth, and it is only for this reason that we obey them [. . .]. (Mao 1966/2013: 154–155)

The validity of the new "mandate" of Mao's ruling legacy was further reinforced through all possible means of propaganda, including newspapers and public broadcasts, to transmit principles of obedience to his sole authority (Weatherley 2006). This Confucian-inspired thought control method was adopted to persuade prospective supporters to form the Red Army (or the People's Liberation Army) to combat the Nationalists in the civil war in the late 1920s (Lu 2004). While discrediting the Confucian culture, a large-scale thought reform program, Rectification Campaign (*zhengfeng*), commenced in the early 1940s to control the behavior of the CCP members (Mao 1949/1966). This was extended further after 1949 to control nonparty members by eradicating negative thoughts about Maoism (Grasso et al. 2009; Lu 2004). A more personalized method of compulsory study groups (Mao 1949/1966), conducted by CCP authority figures, was also used to inculcate correct thought into the masses. Either willingly or under duress, the masses had to self-criticize and confess any incorrect personal thoughts that ran counter to Maoism (Mao 1949/1966). Party cadres had to report the political thought of the masses to the CCP leaders (Dittmer 1973). These strategies enabled the CCP leaders to evaluate the thoughts of the masses and then implement the most appropriate techniques to continuously cultivate docile bodies and minds to Mao.

To demonstrate a high level of loyalty to Mao, the docile bodies had to translate their political ideas into revolutionary practice (Schram 1969; Barlow 1981). In the early 1950s, Mao launched nationwide land reform campaigns aimed at transferring land ownership (Chen and Goodman 2013) from "feudal" landlords (middle class or bourgeoisie) to the peasantry (Mao 1949/1966). Following Mao's order of "criticizing the seizure of land" in a series of "mini-revolutions," peasants denounced their "feudal" landlords under the slogan "spitting bitter water" (*tukushui*吐苦水) (Lu 2004). This provocative slogan aimed to raise the revolutionary consciousness of the peasantry such that they were reminded of the suffering caused by landlord exploitation over the centuries (Weatherley 2006). Many landlords were forced to publicly confess their own so-called crimes, while others were executed or stoned to death, as in the "empire system" (Grasso et al. 2009; Lu 2004). Exposing and publicly criticizing other people's wrongdoings was thought to be a way to demonstrate loyalty to Mao and the CCP (Lu 2004).

In proclaiming themselves the advocates of social justice, the CCP massacred approximately 15 million "feudal exploiters" to dismantle the traditional hierarchical landlord-tenant relationship in the rural areas (Grasso et al. 2009: 139; Lu 2004). Despite transferring land ownership to the peasantry, however, rural poverty continued and was exacerbated by a rapidly expanding population and a scarcity of farmland, which led to the next stage of agricultural development – the collectivization of farmland (Mao 1967/1986).

The assault on the disobedient "feudal exploiters" had subsequently pushed the rural masses to engage in Mao's (1967/1986) program of collectivization of farmland (Weatherley 2006). In this program, Mao sought to reshape public life through the creation of a collective economy by introducing work units (*danwei*單位) in urban areas and the Chinese commune in rural areas within the State-owned enterprises (SOEs) (Mao 1967/1986). (The significance of the work units (*danwei*單位) was that, beginning from 1951, all SOE workers were guaranteed pensions of approximately 80–90% of their salaries at the retirement age of 55 (women) and 60 (men) (Hurst and O'Brien 2002). This was followed in 1952 by the release of the important document "Decisions on the Problems of Employment," the effect of which was to guarantee job security and welfare benefits, known as the *iron rice bowl* (*tie fanwan*鐵飯碗), and which secured the livelihood of the SOE workers (Fung 2001) The establishment of the latter was by forcing the rural masses to participate in agricultural cooperative planting and harvesting through the scheme of agricultural producers' cooperatives (APCs) (Dikotter 2010). Under this arrangement, approximately 20–40 peasant households (Lin et al. 1996: 56) were formed into production teams by consolidating their farmland into collective agricultural units (Mao 1967/1986). To coerce peasant families to join APCs, the CCP made it illegal to sell or purchase anything not produced through the APCs in the countryside (Grasso et al. 2009), while unwilling peasants who wanted to survive were forced to join the APCs in order to participate in agricultural development in the rural areas (Dikotter 2010).

While it was assumed that the APCs would enable the peasants to farm more efficiently by achieving economies of scale, the APC collectivization experiment resulted in poor harvests in both 1953 and 1954 (Grasso et al. 2009: 148). Food shortages occurred because of poor weather conditions and inadequate agricultural production outputs combined with stable consumption and a rapidly growing population (Breslin 2014). Yet rather than denouncing the collectivization project, Mao attempted to reinvigorate the APC structures by transforming them into people's communes for agriculture and steel productions (Mao 1967/1986). This decision was part of a more far-reaching program called the Great Leap Forward (1958–1961) (Mao 1967/1986) for China's industrialization.

Despite food shortages, the deterioration of USSR-Sino relations that was due to different interpretations of Marxism as well as the anti-communist movements arose around the world after 1956 was another element causing Mao to launch the Great Leap Forward programs to generate self-sufficiency for Chinese socialism

(Fung 2001; Oi 1995; Teiwes 1997). In 1958, Mao mobilized the masses to transform China into an industrialized socialist country under the Great Leap slogan of "overtaking Britain's steel production in less than 15 years" (Breslin 2014: 5). To accelerate industrial productivity, the masses were forced to labor in both the agricultural and industrial sectors on collective farms (Withington 2008). In this program, Mao converted the APCs into large-scale labor armies by combining 750,000 collective farmlands, containing over 500 million people, into 26,000 small people's communes (Ahn 1975: 632). Each "small" commune contained small-scale manufacturing facilities (or backyard steel furnaces), and individuals were forced to labor day and night to achieve Mao's daily production quotas and targets to surpass Britain's steel industry (Breslin 2014; Grasso et al. 2009). They were later forced to melt personal items such as cooking pots and pans to achieve Mao's objective of the Great Leap Forward (Li and Yang 2005; Weatherley 2006). This policy led to the reduction of peasants harvesting the fields and caused the subsequent nationwide famine in 1959 and 1960 (Grasso et al. 2009).

During the Great Famine of 1959 and 1960, Mao further tightened the *hukou* 戶口(or household registration) system to restrict peasant mobility (Wu and Treiman 2004). In 1955, the *hukou* system was introduced to register all households and categorize them as either agricultural or nonagricultural (Mao 1967/1986: 752). In the early period, Chinese people were guaranteed the right to move into and out of urban cities and throughout the countryside in China (Chan and Li 1999). Between 1953 and 1957, millions of rural peasants sought employment in exchange for the guaranteed job security and welfare benefits of *iron rice bowl* (*tie fanwan*鐵飯碗) within SOEs in the urban cities (Chan and Li 1999). Yet in the aftermath of the Great Leap Forward, there was an influx of an additional 25 million rural workers into the cities in search of work (Fung 2001: 261). The demands that were placed on the State by this rapid shift triggered an "overheating" of the *iron rice bowl* program and economic disaster, as the Chinese State struggled to meet the demands of the populace (Fung 2001).

The State's response was to force the return of thousands of former SOE *danwei* workers to their original rural villages with only minimal resources to help their survival. This confinement of the greater portion of population to the rural environment was reinforced by introducing the household registration or *hukou* system, which regulated rural-urban migration (Mallee 2000). Those who secured an urban *hukou* were entitled to food, housing, education, work, and other social services, whereas those tied to a rural *hukou* had to fend for themselves (Cheung and Selden 1994; Fan 2004). Through this system, Mao secured a permanent supply of low-cost agricultural products, because thousands of workers were confined to rural areas (Fan 2004), while State-enforced policies demanded that these rural cadres continue to supply grain to the State, even though they had minimal or no grain for their own consumption which caused 30 million Chinese died of starvation between 1958 and 1961 (Mitter 2004: 3–6). Yet in the aftermath of the Great Leap Forward, the *hukou* system was further used to restrict rural-urban migration more stringently and to effectively remove approximately 18 million peasant workers from the urban cities (Chan and Li 1999). As a result, the restriction of peasant mobility in the wake of the famine conditions contributed to another 45 million deaths in the rural areas (Dikotter 2010).

Concern about the Maoist policies that had led to these effects triggered another revolutionary movement within the CCP itself. CCP Vice Chairman Liu Shaoqi (1961–1968), who until then had been publicly acknowledged as Mao's successor and had supported the Great Leap Forward (Dittmer 1981), voiced concerns about the deleterious effects of Mao's policies and, along with others such as Deng Xiaoping, who became the leader of the CCP following Mao's death in 1976, introduced a system of contract employment and other economic reforms to address the effects of the Great Leap Forward (Fung 2001). With Liu and Deng's post-Great Leap success, Mao was pushed to the CCP sidelines. In order to retain his mandate to rule the CCP and the country, Mao sought to regain political power by removing his CCP opponents, particularly Liu and Deng, through a program of mass criticism (later the Cultural Revolution) to "criticize bourgeois reactionary thinking" in 1965 (McCormick 2010: 3–16; Tsou 1969). To gain support for the Cultural Revolution, Mao exploited the fear that he had created in the populace against those who became known as "capitalist roaders" (Dittmer 1981) by asserting that their initiatives would see the return of capitalism to China. In this context, Mao sought to legitimize his Cultural Revolution by mobilizing the masses against not only his CCP opponents but also educators (or teachers), "intellectuals," and Confucian sympathizers, who were "enthusiastic" in their support of capitalism (McCormick 2010; Tsou 1969). Mao (1966/2013) argued that Confucianism and its associated economic philosophy had historically been maintained in China through education, literature, and the arts. He proclaimed that educators, intellectuals, writers, and artists perpetuated the "Confucian standards" that inherently harbored the economic values of the dominant capitalist class that were established in traditional China (Mao 1966/2013). Although the capitalist means of production had largely been removed, Mao contended that a dominant proletarian culture of the peasantry was still unrealized in socialist China (Grasso et al. 2009). He insisted that China's socialist revolution could be realized only if the feudalistic (or capitalistic) consciousness deeply rooted in Confucian culture was destroyed and replaced by his own idea of working-class values to establish a proletarian culture in China (2013). Mao thus sought to mobilize the masses through a Cultural Revolution, which he hoped would defeat his free market opponents (MacFarquhar and Schoenhals 2006).

Immediately before the Cultural Revolution, Mao's followers (the Maoists) promoted knowledge of *Mao's Thought* to new heights (Tsou 1969). From 1964, the Maoist Lin Biao, commander of the People's Liberation Army (PLA), promoted "Mao Zedong Thought" by circulating the publication *Quotations from Chairman Mao* (or *Little Red Book*) to every Chinese citizen (Grasso et al. 2009). Later, Lin turned *Mao's Quotations* into PLA policy. He further politicized the PLA through the establishment of several compulsory political classes for soldiers (Weatherley 2006). The purpose of repositioning Mao as a "supreme leader" was to enable him to gain a new sense of legitimacy and correctness. Through this newfound legitimacy, the disobedient CCP leaders, such as Deng and Liu, who turned against Mao, were subject to criticism (Tsou 1969).

To ensure that the inferior masses were thinking and feeling what he wanted them to think and feel, the apotheosis of Mao and his Cultural Revolution was promoted through art and literature in China's cultural sphere (Grasso et al. 2009). Jiang Qing, Mao's wife and a former actress and later a member of the Gang of Four, was appointed to take charge of China's cultural and artistic affairs (Weatherley 2006).[1] Subsequently, Jiang and her allies began to establish Mao's values about revolution and the working class in the Beijing opera (Grasso et al. 2009; Weatherley 2006). In this context, traditional performances of "Confucian-feudal style" plays, which featured characters such as emperors and princes, were outlawed (Grasso et al. 2009). Writers, directors, and performers were forced to write and act scenes that portrayed the masses as destined to "master the country" (Tsou 1969; Lippit 1982). This revolutionary type of theatrical production was further extended to schools, factories, and neighborhoods to mobilize young people throughout the country to join the Red Guards (*hongweibing*紅衛兵) (Mao 1949/1966) in order to "save China" (Grasso et al. 2009). Bewitched by the Maoist propaganda that was pushed by PLA commander Lin and Jiang's committees, millions of Chinese joined the ranks to participate in the Cultural Revolution (Grasso et al. 2009).

In 1966, the Red Guards and the PLA were ordered to repudiate the traditional Confucian culture of feudalism and capitalism under the slogan "eliminate the Four Olds: old ideas, old culture, old customs and old habits" (Grasso et al. 2009; Weatherley 2006). As well as destroying items of traditional Chinese culture, such as books and paintings, the masses were instructed to capture and seize control of labor organizations, including the Ministry of Labour and All-China Federation of Trade Unions (ACFTU), as bases to promote the socialist vision of Mao (Bridgham 1968). This involved further brutal attacks on members of the Chinese populace. Approximately 142,000 teachers, 53,000 scientists, and 2600 writers and artists, who had been identified as "capitalist supporters," were assaulted and murdered, while the disobedient CCP "capitalist roader" Liu was repeatedly beaten to death by Mao's supporters, and Deng was imprisoned in solitary confinement when the revolution was abandoned by 1969 (Dillon 2015; Grasso et al. 2009; Weatherley 2006).

In summary, the turmoil of the Cultural Revolution alongside a series of mass campaigns revealed the Maoists were concerned with generating loyalty of the Chinese masses to Mao being as a legitimate ruler. The use of the old social system to complement and bolster the "new Chinese Marxism" to build a fierce repudiation of the old feudal order was designed to reinforce the Confucian concept of "mandate" to the "virtuous" Mao and the pro-Mao CCP leaders. While Mao's discourse "mass participation in Chinese politics" appeared to show a "genuine concern" for the needs of the masses, our genealogical analysis has illustrated that "mass politics" were linked with the "truth" of Maoism. In other words, "mass participation" was intended as a series of thought reform programs to reshape the consciousness of those labelled as a class of workers (or proletariats) to legitimize Mao's

[1]Gang of Four was coined by Mao to describe Jiang Qing and her allies Wang Hongwen, Zhang Chunqiao, and Yao Wenyaun, who supported the Cultural Revolution. (Grasso et al. 2009)

hierarchically superior position. This point was reflected in the active participation of the docile working class in what Mao defined as "anti-capitalist movements" under the "class" discourse. Rather than bringing benefits to the masses by "liberalizing" China, the success of the Maoist thought control programs had created a working class of hundreds of millions of docile bodies and minds to automatically respond to Mao's revolutionary ideologies and practices in deteriorating the already poor country into chaos.

Conclusion

The application of Foucault's genealogical method to the exploration of the making of a working class in this chapter has illustrated how the Confucius thought had historically created docile bodies and minds among the Chinese workers since the Zhou Dynasty (13th B.C.E.) (Grasso et al. 2009). While the traditional imperial order associated with the Confucius values was reportedly replaced by Marxism with the formal establishment of the People's Republic of China (PRC or China) since 1949, the chapter has showed how the Chinese Communist Party (CCP) Chairman Mao Zedong had selectively modified Confucianism and Marxism into *Mao Zedong Thought* (or *Maoism*) and detailed the internalization processes of these values into the minds of the masses (workers or proletariats). In contrast to the workers' experiences in England (Thompson 1966) where the *making* of the English working class was a self-activity among the workers who articulated their feelings and experiences toward their material conditions through which they came to think and struggle as a class of workers, the Chinese working class was spiritually and bodily *made* docile to actively engage in a series of pre-organized revolutionary events through the CCP's Confucian-inspired thought control programs. It is argued that these traditional constitutive elements are retained and updated by the post-Mao CCP leaders to maintain their monopoly on political power while at the same time creating an abundance of cheap and docile workers for China's export-oriented industrialization after Mao's death in 1976. The next chapter will analyze how the post-Mao CCP continues the centuries-long Confucian values to reshape the thoughts and behaviors of the Chinese working class for China's ongoing economic development in the present day.

Cross-References

► Governmentality and the Chinese Workers in China's Contemporary Thought Management System
► In Search of the Traces of the History of Management in Latin America, 1870–2020
► Indian Management (?): A Modernization Experiment
► Introduction: Management Heterogeneity in Asia
► Management History in the Modern World: An Overview

► Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
► The Perfect Natural Experiment: Asia and the Convergence Debate
► Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand
► What Is Management?

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Governmentality and the Chinese Workers in China's Contemporary Thought Management System

60

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Contents

Abstract

The aim of this chapter is to understand how the Chinese Communist Party (CCP) creates an abundantly cheap and docile worker to meet the labor market needs required for economic development in present-day China. Drawing on the genealogical analysis of the Chinese historical events from the previous chapter, this chapter engages with Michel Foucault's (1982) work of governmentality (*government of mentalities*) to argue that workers' docility is maintained by the CCP's ability to retain, update, and incorporate Confucian values into its thought management system to regulate the ways of thinking and acting among workers in a social hierarchy as in the time of Imperial and Mao's China.

Keywords

Governmentality · Power-knowledge · Quality · Docility · Discourses · Confucian hierarchy · Thought management

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Introduction

The success of economic reform in transforming China from a rural, revolutionary-based economy into a modern, industrialized socialist market economy (Leung and Caspersz 2016) following the death of Mao Zedong in 1976 (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") has repositioned the country as the world's factory and export leader (Leung and Pun 2009) with the largest and cheapest workforce of a minimum of 769 million workers (The World Bank 2019). Much has noted that this abundantly cheap labor force is developed by converting millions of peasants into urban industrial and service workers and by dismantling the lifetime employment (or *iron rice bowl*) that was developed in the Maoist State (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") for millions of laid-off workers across Chinese State-owned enterprises (SOEs) (Chan 2001; Fan 2003, 2004; Hurst and O'Brien 2002; Leung and Pun 2009; Li and O'Brien 1996; O'Brien 1996; Pun 2007; Pun et al. 2009; Pun and Lu 2010a, b). It is suggested that workers' past experience of Mao's socialism (Lee 2000; Walder 1991; Walder and Gong 1993) or their brutal work-based experiences (Chan and Pun 2009; Chan 2010; Chan and Hui 2012, 2016; Leung and Pun 2009; Pringle 2011; Pun and Lu 2010a, b; Pun et al. 2009, 2016; Smith and Pun 2006) have progressively stimulated their class consciousness to spark a rising number of "mass incidents," including environmental and work protests and other strikes, from 74,000 in 2004 and to 87,000 in 2005 (Leung and Pun 2009) in advancing their collective work rights and benefits to improve their overall conditions. Despite the view that this increased volume of protest activities in China depicts a "rising class consciousness" (Chan 2010; Chan and Hui 2016; Chan and Selden 2016; Chan and Pun 2009), alternative studies (Blecher 2002; Chan 2011; Chan and Siu 2012; Chen 2000, 2006; 2016a; Cooke et al. 2016; Franceschini et al. 2016; Lee 1999, 2007) spotlight the quiescence of labor as a factor constraining workers to against their exploitative conditions. For example, Lee (1999) claims that disorganized despotism has produced labor subordination through the flexible recruitment and dismissal of workers from a disposable labor market. Chan and Siu (2012) find that the absence of collective rights to organize independent unions and the lack of knowledge about trade unionism led to workers' disunity that consequently destabilized their protest actions. It is further argued that the outbreaks of worker protests are mainly triggered by workers' desperation to defend their "rights to subsistence" (Chen 2006). For instance, the wages that workers demand in their protests were "lower than the amount they are legally entitled to" (Franceschini et al. 2016: 440), and therefore, their actions "can be easily defused by a government promise of a couple of yuan as compensation" to secure their subsistence level (Chen 2016b: 4). These phenomena are arguably directed by workers' self-values that they believe their given conditions are inevitable (Blecher 2002), hence dissuading them from speaking up for themselves and others (Cooke et al. 2016) or from engaging in sustained labor movements that focus on issues beyond their individual needs (Chan 2011; Chan and Siu 2012; Franceschini et al. 2016).

Aligned with this body of literature, the aim of this chapter is to understand how the post-Mao CCP continues to monopolize its political power while at the same time creating an abundance of cheap and docile workers to meet the labor market needs required for China's economic development. The chapter argues that workers' docility is indelibly influenced by the "old" forms of consciousness and interactions that existed in Imperial and Mao's periods (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China"). Drawing on the genealogical analysis of the Chinese historical events from the previous chapter, the chapter further engages with Michel Foucault's (1982) work of governmentality (*government of mentalities* or conduct of conduct) to argue that workers' docility is maintained by the CCP's ability to retain, update, and incorporate Confucian values of filial piety (*xiao*孝); "Mandate of Heaven" (*tianming*天命); and destiny (or *ming*命) (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") into its thought management system to regulate the ways of thinking and acting among workers in a social hierarchy as in the time of Imperial and Mao's China.

The chapter begins with an overview of Foucault's concept of governmentality before discussing the techniques used by the CCP in pursuing a contemporary thought management system to consolidate their "mandate" to rule. The chapter concludes that the CCP's thought management as a means for the continuation of the (re-) production of docile minds and bodies in serving its interests has been the key strategy that strengthens its political power with little violence in China.

Foucault's Concept of Governmentality

Under the rubric of genealogy (or History of the Present) (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China"), Michel Foucault (1980a, b) proposes the concept of governmentality to investigate the technologies (techniques or strategies) that govern individuals. Defined as the "conduct of conduct," Foucault's genealogical work of governmentality describes how certain knowledge emerged as a social "truth" (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") to shape thought and behavior (conducts or practices) according to a *given* "truth" in particular society (1980b; 1982). Foucault's genealogical analysis of madness (1961/2006), medical knowledge (1963/2003, 1969/2002), imprisonment (1977), and sexuality (1976/1978) demonstrates that social practices at a specific historical moment resulted from the construction of knowledge (truth or reality) that informed their experiences of their existence according to the particular cultural values and criteria. On this basis, Foucault (1980a) notes that all histories contain thoughts from particular cultures that are inseparable from individuals' actions (practices or behaviors) and from their experiences of existence.

In *The History of Sexuality* (1976/1978, 1978/1990, 1984/1986), for example, Foucault analyzes how individuals' experiences of "homosexuality" were objectified and influenced by the medical knowledge (discourse or truth) that had emerged since the nineteenth century. Hence those categorized as "homosexuals" were viewed according to that knowledge which became the dominant thought in Western societies. Foucault contends that these forms of knowledge created culturally specific views and practices that eventually came to constitute (or affirm certain practices as inimitable) the conditions that lead to the categorization of people as – for instance – "homosexuals." Foucault argues that our "knowing" of how these conditions became linked to this categorization cannot be solely revealed by studying the experience of a person or historical moment but by analyzing the knowledge that is embedded in the relevant society (Foucault 1976/1978, 1978/1990, 1984/1986).

Foucault crafts the concept of power-knowledge to describe how we come to know the "rules of right" or the *pouvoir-savoir* (discourse) that shape, form, and hence constitute our social identities (statuses or positions) (Foucault 1991). That is, an individuals' understanding of identity, such as in the case of homosexuality, emerges because of the relations of power that confirm this as "knowledge" (or objectify) in webs of beliefs (Foucault 1954/2001, 1984/1991). In this context, Foucault conceptualizes knowledge as a specific technique of power which is exercised to internalize disciplinary power (or "microphysics of power" or "biopower") by the individuals so that they discipline their own bodies, minds, and souls in their social relationships (or power-knowledge relations) (1977: 26). Thus, unlike the juridical view that power is exercised by the State and its apparatuses (see Crowther and Green 2004; Giddens and Dallmayr 1982; Musto 2012; Noon et al. 2013), Foucault focuses on the capillary nature and the dispersed character of micro-power that is exercised through the networks of productive, individual relations which produces reality by co-constructing the discourses ("truth" or knowledge) of rituals and identities, such as "criminals" and "madmen," in guiding individuals to shape and correct their minds as well as their behaviors in society (1984/1991). Foucault's view of power draws upon Jeremy Bentham's (1843: 39) nineteenth century drawings of the interior design of the Panopticon (or prison) that consists of a circular structure with an inspection house at the center of the tower. The concept of this design is to guide the prisoners to believe the watchmen in the tower are observing them as they cannot see into the tower, and hence they self-regulate their behaviors as if they are being watched. This form of self-government (or self-regulation) creates a "new mode of obtaining power of mind over mind [governmentality or 'conduct of conduct' in Foucault's terminology], in a quantity..." (Bentham 1843: 39) to effectively control and reform the criminals (Magill 1997; Oksala 2007: 57). This is because the truth of *being watched* under constant surveillance in the panoptic system facilitates the automatic functioning of a disciplinary power within the minds and bodies of the criminals without external authority being imposed (Ransom 1997).

Using the metaphor of the Panopticon, Foucault (1977) notes that a disciplinary power is embedded in all levels of social relations in smaller elements like the hospitals, the schools, the factories, the prisons, and even in individuals' families. Together these social relations exercise a *regime* of a disciplinary power among the masses of people to produce a norm (truth or rule) of behaviors, all the while ensuring that deviant behaviors from this norm are identified as needing to be corrected according to their identities such as "homosexuals" or even "criminals."

For example, schools and families constitute minute social "observatories" and surveillance systems to train and correct children's behavior – their piety and morals – toward their teachers and parents (Foucault 1977). Foucault (1977) suggests that these domains subsequently resemble a carceral (or prison) system that creates a dominant class of managed, controlled, and useful bodies who serve as the judges of normality in society – the teacher-judge, the doctor-judge, and the social worker-judge – and ensure that everyone acts to the discourses of truth that are embedded in a particular society (Foucault 1980a, b, 1991).

The extensions of the panoptic system to various unofficial settings in exercising forms of indirect supervision have thus made individuals subject to their bodies, soul, gestures, behaviors, and practices to the given discourses of truth within their relations of power-knowledge (Foucault 1977). It is in this context that Foucault (1980a, b) argues that a disciplinary society emerges, not by the making of laws but by the internalization of norms that have conjoined the mind, body, and movement of individuals. This effect is referred to as governmentality (or conduct of conduct) that guides the individuals to self-regulate their own (and others') behavior, to achieve the status of truths (or norms) of their society within their power-knowledge network of their culture without engaging in critical thinking (Foucault 1980b). Foucault thus describes the outcome of this government of mentalities as the effective operations of both direct (the State or institutions per se) and indirect (the social network) forms of disciplinary power in guiding people's behaviors to the *desired end* of others (1978/2008).

Reinterpretation of a Chinese History of the Present

Drawing on the genealogical analysis from the Previous Chapter, this chapter argues that China's thought management epitomizes the trend of blending the centuries-long Confucian methods of persuasion (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") with new governmental discourses (truths or technologies) (Foucault 1979/2014) and rationalities to maintain workers' docility for ongoing economic development. Beginning with dismantling and privatizing both the State-owned enterprises (SOEs) and the people's communes (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China"), peasants along with SOE workers are pushed to participate in low-rate wages and a high-rate of capitalist exploitation in the coastal areas (Gabriel 2006). Despite poor working conditions that led to their first major protest involvement in the 1989 Tiananmen movement (Howell 1993; Warner 1991; Walder and Gong 1993), workers remain working in appalling conditions enduring 12 hours a day or longer for 7 days a week, in the labor-intensive export-led manufacturing sector (Mah 2011). Although the All-China Federation of Trade Unions (ACFTU) – the only legal, State-owned trade unions – has a "mandate" to defend workers' rights and interests under the *Labour Law* (1995) and the subsequent *Labour Contract Law* (2008), the capacity of the ACFTU to provide workers with assistance is constrained by a set of other laws, including the *Trade Union Laws* (1992 & 2001), *Assembly Law* (1989), and the

Criminal Law (1987) (Pringle 2011). The failure of the Chinese Communist Party (CCP) to eliminate the abuse of its labor force has thus progressively incited workers to turn to nonlegal methods, such as collective protests, to voice their dissatisfaction with their employment conditions (Chan 2010).

The dual concern of the CCP with the increased protest activities and the need to secure a cheap and docile labor force for economic growth are highlighted in the Eleventh Five-Year Plan (2006–2010) with the governmental discourse of maintenance of social stability (*weiwen* 維穩) (*China Daily* 2006). *Weiwen*, therefore, indicates not only the shift in emphasis away from coercive administrative measures and control of workers but also a new strategy of the CCP to "connect to the global track" (Xu 2009: 38). Xu (2009) uses the phrase "connecting to the global track" to describe China's role in participating in the global supply chain production and ensuring administrative practices comply with international norms, including business and labor regulations. Given the rights of workers are fundamentally grounded in their labor contracts, the CCP, for instance, promulgated the 2008 *Labour Contract Law* to emphasize workers' responsibility of ensuring their employers sign a labor contract with them in order to protect their legal rights (Pringle 2011). While the CCP appears to be concerned with the labor rights, it is argued that the CCP seeks to guide the willingness of workers to subject themselves to the exploitative conditions to reinforce the *weiwen* project under the governmental discourses of the development of a well-off (*xiaokang* 小康) and harmonious society (*hexie shehui* 和諧社會) (Brady 2012a; Benney 2016; Xu 2009).

A key component of building a *xiaokang* and harmonious society under *weiwen* discourse is linked with the CCP's "zero target" (Benney and Marolt 2015) project, aiming to eliminate visible forms of protest actions, through the horizontal coordination with government agencies and private entrepreneurs (Benney 2016; Chen 2015). Since the last decade, private entrepreneurs are encouraged to become members of the People's Political Consultative Conference (PPCC) to participate in the governing activities at the national and local levels (Chen 2015). Together with the PPCC, the CCP, the Chinese People's Government, and the People's Congress are referred to as *the four sets of leadership* (*si tao banzi* 四套班子), which constitute a "multi-party co-operation and political consultation" system (Chen 2015: 616–617). The PPCC in this system serves as a channel for entrepreneurs to express opinions and thus influence State policies and regulations to protect their particular interests as a group (Chen 2015). For example, the concern with the protection of private property rights raised by the members at the PPCC annual meeting in 2001 was passed into the *Property Law* in 2007 (Chen 2015: 627). The privilege status of the PPCC membership further prevents the entrepreneurs from legal responsibilities even when enterprises had violated the provincial laws and regulations (Chen 2015). By turning private entrepreneurs into the State's "allies" by raising protection for the PPCC members beyond laws and regulations, it is suggested that the CCP leaders seek to "buy stability" by marginalizing the notions of laws and rights (Benney and Marolt 2015).

"Buying stability" in the context of the "retreat from law" is thus extended to China's social system to facilitate the work of *weiwen* (Benney and Marolt 2015). The establishment of local *stability maintenance offices* (*weiwenban* 維穩辦) which draws officials from the legal profession, the police, quasi-government organizations, and local government has been the mechanism to prevent protest and acts of resistance from formalizing (Benney 2013; Benney and Marolt 2015). Despite exercising physical force occasionally, *weiwenban* tends to use informal negotiation and renegotiation associated with financial compensation or small "coordination fees" to "encourage" workers to discontinue their disputes (Benney 2013). Subsequently, worker protests are reportedly easily defused by a couple of yuan as compensation (Chen 2016a: 4). While shifting away from using military forces for social control, the ability of the CCP to exercise *weiwen* strategies to continue to manage and dominate workers through the ongoing historical cycles of "coercive authoritarianism" (Benney 2013) is because workers' psyche has been embedded with a truth about their inferior status (or position) and those considered superior through these cycles.

It is argued that China's *weiwen* project is grounded on the expansion and development of productive forces by guiding "the Chinese," particularly the "dissident groups," to engage in a market economy (Xu 2009). Drawing on Mao's thought control methods, the post-Mao leaders from Deng to current President Xi Jinping seek to revitalize the Confucian ideologies of filial piety and obey the superiors to continue their "mandate" to rule under the control of the CCP (Dillon 2015). Already in 1982, the Confucian values of filial piety and obey the superiors have been indicated in the *Four Cardinal Principles*, that is, *Marxist-Leninism*, *Socialism*, *Party Leadership*, *and People's Democratic Dictatorship*, to demonstrate the CCP's commitment to Mao's idea of embracing absolute political control of the masses (Zhang and Li 2011). This insistence is further announced in the *Five Nos* (*wugebugao* 五個不搞) policy for the modernization process:

> We have made a solemn declaration that we will not employ a system of multiple parties holding office in rotation; diversify our guiding thought; separate executive, legislative and judicial powers; use a bicameral or federal system, or carry out privatization (Wu 2011b, p. 9). (The word "privatization" in China was replaced by numerous terms, such as reorganization, cooperatives, incorporation, leasing contract, and shareholding cooperatives. See Guo 2013)

Combining with the *Four Cardinal Principles*, the *Five Nos* policy which emphasizes Deng's message on economic reform with limited political change is circulated to legitimize his absolute power through the CCP's Central Propaganda Department (Weatherley 2006).

Governmental Technologies and Thought Management in Post-Mao China

As in the Maoist period (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China"), the manipulation and utilization of the Propaganda Department have been an important tool to initiate thought management for complementing and supporting the CCP policies (Brady 2012a; Benney 2013). Using the logic of laws and legal system that is developed since the 1980s, the CCP develops the "law popularization campaign" (*pufa yundong*普法運動) or "disseminating legal knowledge" (*pufa changshi*普法常識) to herald new policies in activating the masses to engage in the State's defined "good socialist behaviors" (Gallagher 2005, 2006):

> In the interest of developing socialist democracy and improving the socialist legal system, it is necessary to place the law in the hands of the masses of people so that they will know what the law is, abide by the law, acquire a sense of legality and learn to use the law as a weapon against all acts committed in violation of the Constitution and the law [. . .]. (Thirteen Meeting of the Standing Committee of the Sixth National People's Congress, November 22, 1985)

Rather than focusing on legal resolution of grievances, the dissemination or *pufa* movement enacted in 1991 aiming at acquainting the masses with basic knowledge of the laws by inculcating them with a wide variety of State's propaganda or ideologies to shape their legal consciousness (Benney 2013). These legal educational campaigns are implemented by the CCP cadres through workplaces, mass media, and educational systems (Gallagher 2005). For example, the "thought emancipation movement" (1979–1981) is regularly used to transmit the truth about *Deng Xiaoping Theory* of economic reform and modernization to cultivate them with correct thoughts and practices – filial piety and hard work – through the Chinese media (Jeffreys and Su 2016). Other ideological campaigns "anti-spiritual pollution" (1983–1984) and the "socialist spiritual civilization campaign" (1987–1998) are launched against the influx of Western democratic values and habits (Leung 2017). These campaigns are eventually a call for CCP members to promote *Deng Xiaoping Theory* of economic reform and modernization in order to command support from the workers over whom they were to rule (Grasso et al. 2009).

As the *pufa* campaign progressed, a wide range of compulsory reeducation programs of the "party rectification campaigns" and "theoretical study movements" (1989–2000) of *Marxism-Leninism*, *Mao Zedong Thought*, and *Deng Xiaoping Theory* are implemented to penetrate the socialist ideologies and moralities (Li 2015) into the minds of workers. For instance, at the national conference on the "party rectification campaigns" and "theoretical study movements" in 1998, the philosophical absolutism of the CCP in command of the absolute "truth" and correctness in building a "socialist market economy" is emphasized:

> Taking the socialist road is the inevitable outcome of Chinese history and the correct choice of the Chinese people [. . .] Any attempt to abandon socialism or take the capitalist road is completely wrong and fundamentally infeasible [. . .] Our reform is absolutely not to engage in capitalism, but is the self-perfection of the socialist system and the need of consolidating and developing socialism. Anything that might jeopardise socialism and the fundamental interest of our people must not be tolerated and must not be allowed to spread unchecked at any time and under any circumstances. (Jiang Zemin cited in Guo 2013: 118)

The above message is further transmitted via the implementation of "scientific development" and "harmonious society campaigns" (2010) through the national education system, mass media, residential areas, and workplaces to stress the important role of "patriotism as a unifying force" by emphasizing "[. . .] China's [workers] is a matter of concern for China's destiny" (Brady 2008: 51) in order to mobilize "the whole party and the whole people of the nation" to work for economic modernization (Guo 2013:119). All of these political campaigns for economic modernization have indicated that many of the Maoist mobilization mechanisms and practices are retained by the post-Mao leaders to indoctrinate the general population daily with the "correct" CCP "truth" and the *Four Cardinal Principles* to construct a "socialist market economy" under the legal discourses (Guo 2013).

Chinese Habits of Making Docile Bodies and Minds within Social Hierarchy

Henceforth, while dissociating from Mao's revolutionary orthodoxy, the Maoist past "habits" of ideological indoctrination and techniques of propaganda have been repeatedly employed by different generations of post-Mao leaders to shape workers' consciousness align with the vague ideas of the laws (*pufa*) to constitute them as docile bodies and minds for sustainable socioeconomic development (*kechixuxing de shehui jingjin fazhan*可持續性的社會經濟發展) (Jeffreys and Su 2016). With rapid economic development associated with the growth of poverty, the third and the fourth generations of the CCP leaders Jiang Zemin and Hu Jintao seek to minimize social discontent and instability by upgrading the control methods (Xu 2009). From 2001 onward, the Hu administration incorporated new governmental discourses into the Confucian values to promote awareness of "proper behavior," such as respect for authorities, between the positions (or status) of workers and work superiors, to meet the needs of economic modernization in a well-off (*xiaokang*) and harmonious society (*hexie shehui*) (Brady 2012b). The new sets of values that are guiding the behavior of workers begin with the creation of numerous identities through the mass media through which the CCP aims to change social images of both peasant migrant and SOE workers by referring to the latter as *gongren*工人 (SOE workers or government slaves 宮人in Imperial China) (Wagner 1998) and the former as *non-mingong* 農民工 (peasant workers), as well as *mangliu* 盲流 (blind floats), *wailaigong* 外來工 (outside workers), and *dagong* 打工 (working for bosses). Unlike their former status as "masters of the State" (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") under Mao's period, workers' new identities are now accorded a subservient status, which is programmed to be at a lower social position. This status degradation, according to Xu (2009), is linked to the new discourse of "low personal quality" (*suzhi* 素質or human capital) aiming at creating a self-value to serve as a rational justification among workers for accepting social inequalities in the market economy. This effort is an attempt to mold workers into "low personal quality" subjects to become active participants in capitalist exploitation in the updated hierarchy of social relationships.

In making China's economy globally competitive, the value of education has become a priority to constitute "low personal quality" workers to ensure the supply of a mass of cheap labor for production (Wang 2008). This objective is achieved through the rapid expansion of educational opportunities by popularizing secondary and tertiary vocational-technical education that teaches employment skills to enable graduates to work in the cities (Postiglione 2011). The admission criterion is subject completion of the 9-year education program under the *Compulsory Education Law* (Wang 2008). While the national population is "guaranteed" 9 years of compulsory schooling by law, access to education is determined by the *hukou* (or household) status (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China") the person held (Rong and Shi 2001). The difference in the educational arrangements between rural and urban populations is that the latter is entitled to a set of social rights associated with the provision of medical care, housing, childcare, and access to local schools with very low fees (Wang 2008). These basic entitlements are denied to the rural peasants – which accounted for more than half of the national population – both in their village hometowns and the cities (Wu 2011a).

Children of migrant peasants are thus either left behind (*liushou ertong*留守兒童) with relatives in the villages or brought into the cities for education (Zhang et al. 2015). In the former case, rural children began a 2- to 3-year education in the villages when they turned 8 years old, because rural schools are far from home and the roads were generally unsafe for small children (Postiglione 2011). In the latter case, migrant children, formally referred to as *jiedu* 借讀 students (students from outside the community that borrowed a place to study), have to pay *jiedu* fee ranging from 4,000 yuan to 15,000 yuan (Jia et al. 2019) to the public schools in the cities. Given the monthly household income of most migrant parents is between 1,000 and 2,000 yuan which is around the local poverty line in most localities (Leung and Caspersz 2016), a large proportion of the children of migrants are either educated in migrant schools (*minban xuexiao*民辦學校) in the cities or in rural schools in the villages. Due to financial issues, these schools have low-quality teaching staff and poor facilities (Postiglione 2011; Wang 2008).

By creating this rural-urban divide – that is historically defined by birth – the structure of the Chinese educational system provides a specific means of producing and reproducing "low personal quality" workers for the CCP's market socialism. Thus, rather than focusing on ideas of "Marxism" in the education provision, the making of a socialist market in the CCP's economic modernization concerns with the ability of the population to pay for a quality education that might gain them employment (Postiglione 2011). Compared to their urban counterparts, the majority of poor rural households are excluded from the mainstream norm of access to public schools that offer quality education, both in the cities and in their villages (Wang 2008). This deliberate exclusion of the rural groups from access to educational resources and opportunities beyond a limited circle of eligibilities thus led to high dropout rates from the low-quality, rural, and migrant primary schools:

> [. . .] dropout rates [. . .] were between 3.66% and 54.05% [. . .] beyond food and clothing, dropping out is caused by a lack of confidence and interest in continuing their education, difficult textbooks, a monotonous school life, tense relationships between students and

> teachers, poor food and lodging, inconvenient transportation and rising costs of school lodgings. (Postiglione 2011: 90)

By confining rural and migrant populations to the category of low-quality education, the CCP leaders thus implicitly encouraged children to discontinue education, through which a minimum of 300 million illiterate and semi-illiterate people are created in China (Mao 2004). The intentional education inequality thus ensured that a large proportion of people could not get a higher education in order to produce and reproduce "low personal quality" workers for the marketplace.

Images of "low personal quality" workers are further portrayed as a specific segment of the population that prevent China's progress toward civilization (*wenming*文明) (Gabriel 2006; Xu 2009). In an editorial comment in a prestigious State-owned newspaper, "low-quality" population is described as lacking discipline and modern civility because "they behav[e] like barbarians [. . .] forgetting [. . .] civility demands [. . .]" (China Daily 2014). As a result of widespread indoctrination, this official "truth" becomes an everyday discourse that appeared in various cultural mechanisms, such as television and magazines. For example, in a national newspaper *Nanfang Zhoumo* 南方週末 (*Southern Weekend*), a reader complained to the editor that "the low-quality people are the reason for many things not getting done or not getting done well" (Xiaoyong 1999: 11). In his book, *China's Two Pillars in the Twenty-First Century*, Yi (2001: 748) suggests a more pessimistic view of the large numbers of so-called "low-quality" citizens by making the point that it is these people that "made it so difficult to advance our country [. . .] we must get rid of the illiterate people [. . .] particularly those illiterate young people."

Social recognition of the "low-quality" population is applied predominantly to workers and is central to the production of "new city people" (*xin shimin*新市民) as the subjects of Chinese "development" (Yan 2003; Xu 2009). This "development" centers on the "rectification" of population quality, in terms of which workers are identified by the CCP from the 1980s, as the major focus for "improvement": "The national strength and the stamina of economic development is highly dependent on the quality of the labourers" (Zeng 1989: 165). Embedded in this invocation of "quality improvement" (or development) is the CCP's interest to continue poverty by recoding such "problem" as "quality poverty relief" (*suzhi fupin*素質扶貧) and "cultural poverty relief" (*wenhua fupin*文化扶貧) in the labor market (Yan 2003). In this context, "poverty-relief" discourses are functioned as a "motivating force" to cultivate a desire within the "low personal quality" workers' to escape from poverty (*tuopin*脫貧) (Yan 2008). Thus, the introduction of this new discourse by the State marks a shift from projecting workers as being an object to becoming a subject for "poverty-relief" actions (Yan 2003). The project of producing these desiring subjects is appositely a subtle task of producing "new city people" for Chinese "development" (or improvement).

It is argued that the production of the *desiring* subjects is conditioned by the production of a market consciousness among workers for "development" through cultural processes (Yan 2008). In these processes, images of the outcomes of "poverty relief" that resulted from "improvement," for example, with the increased affordability of mobile phones and cars, are promoted in the Chinese media (Gabriel 2006). These commercial activities are used to promote the idea that "the future belongs to those who succeed in the capitalist labor power markets" to turn workers into customers (Gabriel 2006: 58). By inculcating consumerism into the popular consciousness, instruments of mass media are again mobilized as a form of "social education" (*shehui jiaoyu*社會教育) to publicize the benefits of "improvement" to inspire the subjects' "intentionality" toward the "development" of the labor market (Yan 2003). This vision produces a positive demonstration of "poverty relief" being gifted through the opportunities afforded by "development," because "low-quality" workers could "improve themselves by learning from their "high-quality" superiors at work in the cities" (Yan 2008).

By introducing a self-perception of workers as the subjects of "development," the discourse of "quality improvement" further constituted a "status consciousness" (Koo 2001) or "older rules consciousness" (Perry 2009) that is connected to an updated Confucian status ideology framework of a "quality hierarchy" within social relationships (Chen and Goodman 2012; Yan 2003). This "hierarchal relationship" is defined in terms of the deterministic identities with which the "lower-quality" workers are shaped and "programmed" to see themselves as inferior to their "higher-quality" superiors in the labor market (Gabriel 2006). The perception of a fundamental difference of "quality" that comprised distinct "races" of human beings is thereby notionally created:

> [. . .] "white" workers gaining status as a consequence of racism. To the extent that certain workers gain status within the workplace as a consequence of racism, these workers may be willing to work for less material compensation. This is one way in which racism may reduce the value of labour power. It may also do so by creating self-doubt, self-hatred and low self-esteem in those excluded from the transcendental race. The "black" [. . .] worker [. . .] for instance, believe[s] herself lucky to have any job and to be worthless [. . .]. (Gabriel and Todorova 2003: 34–35)

By substituting "high quality" for white and "low quality" for black, the racialized interactions of the perceived inferiority (the low) and the perceived superiority (the high) in China served to lower the value of workers in a quality hierarchy (Gabriel 2006; Yan 2008). Rather than a "quality improvement," the discourse of "development" hence imposed the notion of destiny (*ming*命) on inferiority (see ► Chap. 59, "The Making of a Docile Working Class in Pre-reform China") so that it would then function as a "truth" of the "low personal quality" workers to think of themselves as low within their subjectivities concerning their given positions in the current labor market system (Yan 2003). The CCP's strategies of keeping the "low personal quality" workers to think and act within their prescribed *ming* by restricting their educational opportunities are the foundation of thought management established since the Zhou dynasty (13th B.C.E.) via *li* rules (later Confucian rules) (see ► Chap. 59, "The Making of a Docile Working Class in Pre-reform China") to maintain social status for producing and reproducing docile bodies and minds to meet the political, ideological, and economic needs in different historical periods.

The Destiny (*ming* 命) of Low-Quality (or Low-Educated) Workers in the Chinese Occupational Hierarchy

The intention of indoctrinating workers to accept their positions as their *ming* and the discourse of "quality development" is to subject the perceived "inferiors" to continual readjustment and retraining (*zhongsheng xuexi*終生學習) in order to integrate them into the market economy (Yan 2008). To achieve this goal, the workers are taught to "love labor" and "respect regulations" to behave "properly" according to the everyday behavioral norms (*richang xingweu judong*日常行為舉動) of the workplaces (Efthymiou-Egleton 2016). For example, they are taught to respect authority to ensure the maintenance of social order (Xu 2009). In this context, compliance with the social order is highlighted by the Chinese media as a way for workers to protect their rights. For example, even today the Chinese popular press publishes cautionary tales about workers trying to find work in their own way outside the norms. These narratives typically end with the victims either being cheated by "black" labor market brokers (*hei zhongjie*黑中介) (Zhengzhou Wǎnbào 2016) or sold into prostitution (Ma 2013). To reduce social disruptions, services are provided to workers by the "carceral network" (Foucault 1980a) of governmental and nongovernmental organizations, such as job seeking and educational training regarding laws and regulations to highlight the importance of signing labor contracts (Xu 2009). By exposing themselves to these forms of knowledge, the inferior subjects are supposedly guided to "improve" their understanding of labor rights and conditions throughout the process of "development." While the "low-quality" workers are offered new training opportunities for continuous "self-improvement," these "opportunities" are arguably designed to engage them as potential agents in their own governance (Jeffreys and Sigley 2009).

This social management goal is embodied in the knowledge in which an array of CCP's conceived standards of modernized behavior is promoted through service activities (or programs) (Cartier 2016). Cooperating with the CCP's interest in developing "population quality" (*renkou suzhi*人口素質) in the discourse of modernization, social programs run by the everyday "carceral network" (Foucault 1980a) focus on the Chinese cultural economy and industry and standards for social conduct (National Civilised City Evaluation System 2011). These cultural standards are evident in large-format advertising slogans, including *Be a Civilized Person, Build a Civilized City* (*Zheng zuo wenming ren, gong chuang wenming cheng*爭做文明人共創文明城) and *Speak Civilly, Act Civilly* (*Shuo wenming hua, ban wenming shi*. . . 說文明話辦文明事) (Cartier 2016). These civilizing perspectives are extensively reinforced by "quality training" (*suzhi peixun*) and "quality programs" (*suzhi jiemu* 素質節目) throughout cultural institutions such as the mass media, within schools, and on the streets (Cartier 2016) and are printed in the form of "self-help" manuals to encourage workers to act according to sanctioned behavioral standards. In one "self-help" manual (MDGIF 2011), for example, "low-quality" workers are encouraged to be satisfied with low-wage employment, relinquish excessive consumption behavior, obey traffic lights, adopt good hygiene habits, and exhibit "proper" manners. Constructing these official and standardized "civilized behaviors" (or cultural norms) highlights the CCP's desire to "improve" self-constraint and self-control (or "self-governance") of workers to ensure that they constitute appropriate subjects in the context of "development" programs.

In this manner, the discourse of "development" confines the "low-quality" population to a specific status. The discourse of "development" is aimed at conditioning the self-attitude and conduct of the workers so that they will behave (Davidson 2003) in accordance with cultural norms and the "quality-based" occupational hierarchy in China. The governmental knowledge that has been facilitated by the everyday "carceral network" to continuously inculcate forms of discourses of *truth* in the minds of workers is inherent to this normative Chinese cultural behavior (Clifford 2001). This then enables the ongoing production and reproduction of docile minds and bodies by co-opting workers' thoughts, bodies, and movements to serve the will of the CCP within the power-knowledge networks in China.

Conclusion

This chapter has engaged with Foucault's (1980a, b) genealogical work of governmentality to explore the governmental technologies that are exercised by the post-Mao CCP leaders both to maintain their monopoly on political power and secure an abundantly cheap and docile labor force for ongoing economic development. Drawing on historical cycles since the Zhou dynasty (13th B.C.E.) (see ▶ Chap. 59, "The Making of a Docile Working Class in Pre-reform China"), the chapter has argued that the CCP continues to consolidate their "mandate" to rule by continuing the (re-) production of docile bodies and minds among Chinese workers through the internalization of the Confucian concepts of filial piety and social status. These concepts are updated and embedded in the new governmental discourses of "quality" (*suzhi*素質), stability maintenance (*weiwen* 維穩), well-off (*xiaokang* 小康), and harmonious society (*hexie shehui* 和諧社會) through their power-knowledge networks to guide the "low personal quality" workers to think of themselves as destined for marginal positions (or governmentality) in their everyday lives in China's thought management programs. Because of this, it is debatable whether Chinese workers can overcome the centuries-old cultivation of docile bodies and minds among themselves to engage in activism that will lead to the formation of an active working class to improve their living and working conditions for themselves and others in China.

Cross-References

- ▶ In Search of the Traces of the History of Management in Latin America, 1870–2020
- ▶ Indian Management (?): A Modernization Experiment
- ▶ Introduction: Management Heterogeneity in Asia
- ▶ Management History in the Modern World: An Overview

- ▶ Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
- ▶ The Making of a Docile Working Class in Pre-reform China
- ▶ The Perfect Natural Experiment: Asia and the Convergence Debate
- ▶ Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand
- ▶ What Is Management?

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In Search of the Traces of the History of Management in Latin America, 1870–2020

61

Carlos Dávila

Contents

Abstract

Little is known about the history of management in Latin America and other emerging markets. Nor notice of interest on its existence is to be found in recent debates on the need of a "new," or "radical," or "critical" history of management. This chapter explores the possibility of doing research on this field and proposes a research agenda for "a" history of management in Latin America. For that purpose, it examines the impact of three management approaches in the region, during the period of 1870–2020. The approaches considered are management as part of the development ideology, as a practice, and as knowledge diffused through management education. The core is the traces left by the ideas and practices (strategies and techniques) by which economic actors in specific settings responded to dynamic, historical contextual realities in some of the countries in the region. The findings and lessons, both theoretical and methodological, that

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have emerged from the flourishing Latin American business historiography – an illustration of the alternative business history (ABH) – are used to identify some of the traces of management and to assess their research potential. A research agenda for further discussion in proposed.

Keywords

Emerging markets · Development ideologies · Alternative business history · Management education

Introduction

This chapter approaches its subject matter from two geopolitical standpoints: first, from the fact that, as part of the South Atlantic littoral, Latin America has been and still is an underdeveloped region, an "emerging market," in twenty-first century terms and, secondly, from the notion that management knowledge has historically been Anglophone and, more distinctively, US-centric. Latin America consists of South America (ten countries), Central America (six countries), Mexico, and two Spanish-speaking Caribbean countries (Cuba and Dominican Republic). For some citizens of the Anglosphere, this region keeps being sort of a black box: a vast land whose main feature would seem to be the "backyard" of the United States. Spanish is the official language of 18 of these 19 countries; Portuguese is Brazil's lingua franca. For over three centuries and up to the early decades of the nineteenth century, these countries were colonies ruled by the Spanish crown, except for Brazil, which was a Portuguese colony. The role played by the colonial rule and its institutions was long-lasting: administering the Spanish and Portuguese empires, along with their trade, maritime transportation, mining, and plantations operation, was no minor enterprise (Stein and Stein 1970). With the purpose of providing an overview of the history of management in the region, this chapter is circumscribed to the post-Independence period. More precisely, it starts off when Latin America becomes part of the world economic system of the first global economy (1870–1929), which brought about "extraordinary transformations" (Jones 2007: 161). This is known as Latin America's commodity export-led growth stage (Bulmer-Thomas 1994; Bértola and Ocampo 2012). The chapter goes up to the present.

The chapter puts together sparse information from varied sources regarding Argentina, Brazil, Chile, and Mexico, but it focuses deeper and more broadly on the case of an Andean country, Colombia. It must be said that, in the landscape of management, Latin America's role has usually been stereotyped as a merely passive consumer in the transfer process of modern management knowledge and technology. This ill-informed, reductionist view denies the State, the business systems, and other actors any agency in the above process. Latin America's economic, social, and business reality, as far as management is concerned, is complex, diverse, and dynamic. Therefore, the study of the evolution of management in the region should be approached without ignoring a context wherein inequality, social and political unrest, turbulence, and instability have been a perennial rule. There is a need to search for the management ideas and practices that Latin American economic actors, among others, have developed to deal with evolving contextual realities. The intent is not to go after a folkloric, exotic sort of indigenous management. Instead, it is to point out the areas in which traces of management ideas and practices associated with the development of the region's economy can be observed. This chapter is just an attempt in that direction. Given the sparsity of research on this field, to explore its potential is a much-needed step. Purposedly, it may stimulate further research on the history of management in this part of the world, one that may converse with colleagues in the North Atlantic and other regions of the world. To entail in such a conversation, it is necessary that the ongoing debates in the field of management history encompass a global vision of the *past*, not circumscribed to the North Atlantic nor the Anglosphere.

In approaching the history of management in Latin America, it is relevant to point out that, in the international academic community, the history of management and business history are two different scholarly fields, with their own distinctive paths and evolution. Business history is epitomized by the *Business History Review* (BHR), a journal established at Harvard Business School (HBS) in 1926. On the other hand, the study of the evolution of management is identified with two publication venues, the *Journal of Management History*, launched in 1995, and *Management & Organizational History* released in 2006.

In Latin America, business history is a young academic field with noticeable growth since the 1980s (Barbero 2003; 2008; Barbero and Dávila 2009; Dávila 2003b, 2013; Austin et al. 2017). On the other hand, research and publications on the history of management are rather scarce and scattered. Hardly somebody who portrays him/herself as "management historian" is to be found across the region to the south of the (US) Río Grande. Furthermore, Latin American scholarship in business history (as in other fields) experiences the toll of being outside the Anglosphere, as well as strives to enter it, as the sole way of existing in the monolingual management international academic community.

In this context, the present chapter approaches the historical development of management in the Latin American emerging markets by exploring the ways in which a few currents of thought and practice on the subject have exerted an impact on the region. They are not necessarily identified nor categorized as such in conventional textbooks management histories and current surveys of the literature. These, by the way, are plenty of flaws that made them the target of a recent book aimed at the indispensable pledge of "rethinking the map of management history" (Cummings et al. 2017). The currents of management thought chosen represent a "reading" of the management academic literature pondered from a scholarly standpoint located in a peripheral emerging market. Such a "reading" is grounded on teaching and research conducted at a private university located in a Latin American country (Colombia) over the past half century (Dávila 1985/2001). In this view, management theory is not a science, but an interdisciplinary field still in pursuit of conformation. Characteristically, it has been highly dynamic and growing since First World War and, to a great extent, led by the American corporate world and business schools. Its iconic product of export, the Master in Business Administration (MBA), was keenly referred to by British magazine, *The Economist*, as one that "amounts to 'Mastering Being in America'" (The Economist 1991: 23).

In its conformation as a field of inquiry, teaching, and "application," an ample, often disparate, variety of approaches have emerged. Over time, to expect their "integration" into an all-encompassing theory would seem naïve, if not pretentious and/or futile. All this notwithstanding, management has played a key role in the development of capitalism given that, at its core, it deals with and tackles two key phenomena: productivity and competitiveness.

A non-exhaustive arrangement or list of conceptualizations of management that have been influential in Latin America over the last century and a half would include the following: management as practice and technology; as the quest for efficiency (Taylor 1912); a process guided by "principles" (Fayol 1916/1930); as rational form of domination (Weber 1922/1944); as control of labor force (Braverman 1974; Edwards 1979); as a profession (Fayol 1916; Follet 1927/1970; McGregor 1967); as leadership (Barnard 1938; Selznick 1957; Likert 1961); as decision-making (Simon 1945); as a capitalist institution (Drucker 1954); as a managerial ideology (Bendix 1956); as entrepreneurship (Drucker 1985); as the visible hand of market (Chandler 1977); and as a mystique (Zaleznik 1990). Needless to say, they are not mutually exclusive. Several overlaps coexist and interplay in the empirical reality; none is to be found in its pure, ideal form. To achieve the goal of this chapter, only three of these conceptualizations will be addressed: management as an ideology, as practice and technology, and as a profession.

Management: A Missing Link in the Development Ideology?

Bearing in mind that the theme of this chapter is the history of management in Latin America, not the history of economic development theories, it must be mentioned that the ideals of "material progress" and "civilization" throughout the region were part of the transition across the nineteenth century, from colonial economies to the post-Independence era. By the mid-century, these ideals were key elements of liberal ideology, anchored on ideas of free-trade, free initiative, private enterprise, and non-State intervention. At the turn of the nineteenth century, and throughout most of the twentieth century, industrialization became the aegis of progress. The impact of the Industrial Revolution in this part of the South Atlantic littoral implied a shift from the monopoly of trade, plantation, colonial mining, and handicraft to manufacture. The transition, from an agrarian (hacienda and plantation-based) to a modern economy dominated by industry and machine manufactures, took place in the context of Latin America's role in the international division of labor, more to the point, its position within the first global economy (1870–1929), the ensuing disintegration phase (1930–1950), the origins of a second wave of globalization (1950–1979), and the new global economy (1979-the present).

In the aftermath of the Second World War (WW2), "progress" became synonymous for *economic development*, a term championed for geopolitical reasons, mostly by the United States. Likewise, *underdevelopment*, *third world*, *poor countries*, *backward nations*, and *developing countries* have become coined terms widely used by academics, multilateral organizations, and political and public policy quarters. They refer to countries where the real income per capita is lower than that of the United States, Canada, Australia, New Zealand, and Western Europe. Latin America served as a showcase to illustrate what the new terms meant.

Modernization Theory: The Transition from "Traditional" Toward "Modern" Societies

Concurrently, in the midst of the Cold War, the decade of the 1960s was officially named "the United Nations Development Decade of Development." The academic underpinnings of the international cooperation program that followed were provided by some of top American universities: MIT, Harvard, and Berkeley. They contributed "modernization theory," which stressed the importance of the "noneconomic factors" of economic development (Finkle and Gable 1968; Prezeworski and Limongi 1997). The vicinity of the Cuban Revolution (1959) being a key geopolitical concern, Latin America served as a "testing ground" for some of the psychological, sociological, and cultural conceptual frameworks that ensued. More precisely, President Kennedy's Alliance for Progress was the icon of a US-government program to further the region's development (Taffet 2007).

It should be mentioned that, in "modernization theories," themes such as efficiency, entrepreneurship, elites, decision-making, and education were considered key issues to understand underdevelopment. For instance, an alleged lack of entrepreneurship in the region was bluntly aired without proper research to support it. At the same time, armchair generalizations on the region's elites obliterated their role in agricultural exports and, more generally, in foreign trade. Rigorous empirical research was missing. Yet, the novel theory enjoyed some glamourous flavor and circulated amply in the United States, perhaps due to the prestige of some of their pioneer scholars (Dávila 2010): MIT economist, Everett Hagen, and his "withdrawal of status" psychocultural theory (Hagen 1962); Berkeley's Seymour Lipset and his sociological concept of the entrepreneur as a "deviant" in traditional societies (Lipset and Solari 1967); and, Harvard's psychology professor, David McClelland and his n-achievement theory (McClelland 1961). Yet, early serious criticism pointed out the danger of ill-supported generalization and the need for empirically based research that would shed light on economic development in a long-term historical perspective. Interestingly, the scarce empirical research based on these theories dealt with Colombia, Brazil, and Argentina and was mostly carried out by American scholars (Horowitz 1966; Bendix 1967; Frank 1967; Lipman 1969; Bodenheimer 1970). For the most part, they did not leave any major follow-up or imprint in the landscape of Latin American social sciences, which were moving on to other intellectual paradigms. The title of a book reuniting Latin American social scientists critical stance was eloquent, *Sociología Subdesarrollante* (Frank et al. 1969), that is, a sociology and, more generally, modernization theory that fosters underdevelopment.

Dependency Theory's Disregard for Management

Dependency theory was Latin America's intellectual contribution to the field of economic development, which saw the emergence of abundant intellectual production by region scholars, mainly from Argentina, Brazil, and Chile during the 1960s and 1970s. Its origins may be traced back to the work by the United Nations Economic Commission for Latin America (ECLA; CEPAL for its acronym in Spanish) on "central-peripheral" relationships in the 1950s, known as ECLA's structuralism. Dependency theory outcome was "an extensive but unbalanced literature" (Miller 2010: 7). Interestingly, some of its major works and authors were translated into English and read in American and British universities (Cardoso and Faletto 1979; Frank 1974); a handful of Latin American Centers, specialists in the region ("Latin Americanists"), and area programs were created in top British, American, and German universities. The central theoretical concept is that of the economic, cultural, and technological dependency that Latin America has experienced vis-à-vis the urban hegemonic centers since its conquest by Spain and Portugal (Cardoso and Faletto 1979; Frank 1974; Evans 1979). It offers a harsh critique of modernization theory and its concept of development as an evolutionary, linear process that forms part of a passage from a traditional to a dual society and, subsequently, to a modern one. It also rejects the idea that underdeveloped nations exhibit an anomalous development, along with the associated assumption that they must repeat the history of developed nations, in disregard of historical phases and different contexts (Kay 1989).

Although dependency theory was indeed nourished by Marxism, it was also the subject of critiques by some orthodox Marxist currents. Drawing on theory of imperialism, some authors criticized dependency theory for remaining silent on the matter of the contemporary characteristics of imperialism and for its careless application of Marxist theory (Fernández and Ocampo 1974). Others considered that the theory of economic imperialism was the "missing link" of dependency theory (Bodenheimer 1970), while some British academic quarters acerbically dubbed it a "theology" (Platt 1980).

The dependentistas' radical views on the political role of intellectuals germinated in a complex context that was entirely different from that of the industrialized North. The political context in Latin America during the 1960s and 1970s was one of dictatorial military regimes that seized power, violated human rights, and brushed aside civil resistance in major Latin American economies (Argentine, Brazil, Chile), smaller South Cone countries (Paraguay, Uruguay), as well as several Central American "banana republics" (Guatemala, Nicaragua, Panama). As a counterpart, those decades witnessed the rise of leftist guerrilla warfare (Bolivia, Colombia, Venezuela), growing social conflict, and triumphant leftist revolutions in Central America (Nicaragua and Salvador).

Inspired on the Gramscian perspective of the "organic intellectual" (Gramsci 1971), academic rigor and research standards were not a major concern for *dependentistas*' writers. This is reflected in the "characterizations" of specific countries' economic, political, and social situation that, instead, were fine-tuned to specific leftist ideological currents views. They were the basis to orient political action programs and reflected heated debates within the left. To be coherent and aligned either with the Soviet or the Mao's doctrine was more important than to conform to standards for publication and the like. The all-time "publish or perish" syndrome proper of the academic world, the field of management included, would have seemed as an incomprehensible issue that could not be compared to the dilemma many Latin American *dependentista* scholars faced. In their setting, political activism, "action-oriented" research with guerrilla and protest movements (Simposio Mundial de Cartagena 1978), imprisonment, and "life or death" were real options.

Dependency theory did not pay specific attention to management issues even though management education expanded across Latin America since the 1960s, as attested in a further section. A major concern was power relations between international hegemonic centers and domestic governments and perennial uneven, unfair conditions in foreign trade, as well as rampant poverty, exploitation, and inequality in the periphery. The tenets of dependency theory harshly denounced the economic imperialism embodied in multinationals operating in the region, which controlled the sectors of oil, mining (gold, silver, copper), railroads, and banana. Emerging nationalism and anti-imperialism, labor conflict, relations with local government, and economic and social policies were issues of major concern in a large body of dependency theory literature. Intriguingly, its *principal enemy* did not seem to be management itself nor its theories or techniques. The unit of analysis of dependency theory focused on the macro and meso levels and social and structural, rather than on the micro (specific business, entrepreneurs, workers unions) and individual levels.

Business History's Potential to Pursue the Traces of Management

In contrast to the scarce research on the history of management, business history has flourished in Latin America since the 1980s. Interestingly, it has departed from the two abovementioned intellectual traditions that emerged from opposite ideological stances: American-based modernization theory and Latin American-rooted dependency theory.

In the case of modernization theory, business history flourished, to a fair extent, to redress its overriding oversimplifications and generalizations. Conceptual and empirical flaws of noted works carried out under the modernization paradigm made evident the need to get beyond criticizing them. A way to do it was to resort to advances in social science research during the 1970s anchored in alternative approaches to what in the case of sociology was aptly labelled "the coming crisis of western sociology" (Gouldner 1970). Nascent Latin American (qualitative) economic history and business history paved the way to undertake serious study of development issues in specific geographical and sectoral spaces and from a temporal, dynamic perspective and with focus on units of analysis (e.g., economic actors, specific economic sectors) amenable to empirical inquiry (Cerutti 2004; Barbero and Jacob 2008).

A showcase is what occurred in Colombia wherein the application of Hagen's elegant withdrawal-of-status theory to a region (Antioquia) moved others to carry out a series of historical studies on *Antioqueños*' entrepreneurship in mining, commerce, finance, coffee, etc. that would constitute a rebuttal of his theory. Whereas Hagen's determination to discern the factors contributing to economic growth was high-minded, he failed, however, because he refused to focus on the questions that guide the historian's work: "who, where, when, how, and why." Hagen rather preferred "to adopt a kind of determinism that historians abhor" (Dávila 2006: 134).

Also paradoxical is the relationship of historical studies with the foregoing dependency theory whose antibusiness ethos was evident. It demonized both foreign and local business actors. Domestic entrepreneurs, in particular, were criticized for being either second-to or allies of international, monopoly capital rather than striving to become a "national bourgeoise." And foreign capital and multinationals were at center stage of its denounces, as agents of economic imperialism. Yet, as it was mentioned, for some versions of Marxist-Leninism, dependency theory did not fulfill their orthodox canons (Frank 1972; Miller 1999, 2010).

It was not until *dependentistas*' paradigm progressive decay, and the parallel upsurge of neoliberalism, market reforms, and globalization, at the late 1980s, that the study of business, firms, entrepreneurship, State monopolies, and the like gained legitimation and acceptance as an object of scholarly endeavor. Business historians being different from macroeconomic historians and historical economists "offers a depth in terms of time perspective that specialist in business and management schools often lack" (Miller 2010: 37). And, certainly, they are not condemned to be "apologists of the bourgeoisie."

Surveys of Latin American business historiography, conducted at the dawn of the twenty-first century, revealed that Mexico, Argentina, Colombia, and Brazil (in this order) were the leading producers, in terms of quantity and quality of works, followed by Uruguay, Peru, Chile, and Venezuela (Dávila and Miller 1999; Barbero 2003; Dávila 2003b). Recent state-of-the-art works (Dávila 2013; Miller 2017; Lluch et al. 2018), as well as institutionalization advances, attest to the emergence of the field of business history in other Andean countries such as Perú and leave no doubt that, although a diversity of political, economic, and academic reasons accrued for the late development of the field in Chile, it has much to offer to the understanding of the different organizational, management, and institutional features of business development in the region as a whole (Lorca-Jana et al. 2019); Central America, Costa Rica, and Honduras have also appeared into the field during the present decade (Bull et al. 2014; Fernández Pérez and Lluch 2015/2016). It must be added that this historiography has come out more in the form of books and book chapters published in Spanish than as journal articles in the international monolingual venues of this discipline. These two features constitute a barrier that has slowed down the dissemination of the research produced in the region.

It should be said that, with the exception of Colombia, Latin American business history research and teaching has been developed away from the grounds of management and organizational studies. The intellectual points of reference of Latin American business historians stem, more readily, from economic and social history and economic development. This is a key reason for history of management in Latin America to be an academic challenge yet to be undertaken. Interestingly, until recent decades, the lack of interaction between the camps of management scholars and historians has not been exclusively of the emerging world, but rather a global phenomenon. There have been exceptions, however, like the Harvard Business School's seat of the *Business History Review*, for over nine decades, and other less-aged vintage cases in North Europe (United Kingdom, Scandinavia), South Europe (Italy), Japan, and India. It is only as recently as the first decade of the new century that business historians began to be employed by business schools and exposed to different management and related disciplines' approaches and paradigms (Bucheli and Wadhwani 2013). And publication venues opened up, such as the aforementioned *Journal of Management History* (JMH) and the youngest *Management & Organizational History* (MOH).

It is noteworthy that Latin American business history has become part of the recently coined "alternative business history" (ABH) of emerging markets. ABH represents a more intellectually challenging venture than one that just provides data on new settings or an enlarged scope to replicate mainstream frameworks. Among commonalities of the history of business across Latin America, Asia, and Africa, ABH also focuses on the response of business systems to the institutional context, a response that differs from that of the West. In the scholarly world, the history of business "should not be ignored, nor relegated to the margins of mainstream journals and conferences, but rather be studied as equally central as the business history of Western Europe, the United States and Japan" (Austin et al. 2017: 568).

Several findings and research directions entailed in ABH are useful to trail traces of the history of management in the region. A selection of two of them may serve for illustrative purposes. First, business organizational structures and actors, different from those in advanced capitalist countries, have had a leading role in economic development. Second, since the beginnings of the period under consideration (1870–2010), sectorial developments in oil, mining, foreign trade, and industrial development required management practices for the profit-oriented handling of scarce resources (capital, labor, technology). The latter were either indigenous, brought in by foreign capital and multinationals, or adapted from varied agents involved in the diffusion and transfer of management concepts and tools. And, irrespective of the way in which they were registered or identified, several management functions (finance, production, marketing, industrial relations, and personnel) were deployed in varied size and scale. What follows provides a sample of each of this couple of traces of management history.

Entrepreneurs, Entrepreneurial Families, and Business Groups: Key Actors

ABH has pointed out that the leading business actors of economic development in emerging markets have not been the same as in the West. Capitalism in America and Western Europe cannot be understood without focusing on the firm, especially on the big business enterprise. By contrast, in the present case – the Latin American business landscape as of the post-Independence period – entrepreneurs, managers, entrepreneurial families, and business groups constitute forms of business organization indispensable to grasp the evolution of emerging markets. This is not to deny that foreign capital and multinationals of American or European origin have played an important role and have been key players in several sectors of Latin American countries. But to focus only on them or to suppose that other ways of organizing business are backward, anomalous, or relics of the past is misleading. In spite of this being a deeply flawed approach, it is embedded in management literature and, more generally, in management education and consulting. Cases in point include management textbooks, whose context, examples, illustrations, exercises, cases, bibliographic references, etc. are, almost without exception, based on big businesses and large business firms.

Departing from this, ABH has revealed organizational structures as well as leadership and managerial patterns that differ significantly from those seen in Chandlerian, large multidivisional companies in the United States and Europe.

In Latin America, entrepreneurial histories have roused more attention than company histories. Since the 1990s, there have been conceptual and analytical advances that have furthered the study of entrepreneurship. These advances came together with changes in legitimacy of entrepreneurial history. As a result, the scholarly biographical works of the last two decades do not fit with the "great men" image conventionally associated with entrepreneurial history. They are not hagiographies nor denunciatory works: entrepreneurs are neither heroes nor villains. It is fair to say that evolving management practices and ideas in this part of the globe could have hardly been identified if attention had not been given to entrepreneurs, entrepreneurial families, and business groups. That is, if studies had been just limited to firms.

The past few decades have witnessed an increase in number and quality of this production in Argentina, Brazil, Chile, Colombia, Mexico, and Peru. They contain a wealth of information featuring the function of entrepreneurs in economic development. It must be made clear that their role was not just circumscribed within the industrialization period that started off at the turn of the nineteenth century. In fact, entrepreneurs had been decisive players in agriculture, commerce, finance, mining, and communication, in their respective countries, since the second half of the nineteenth century (Austin et al. 2017; Lluch et al. 2018).

Alertness to business opportunities has been a distinctive feature of Latin American entrepreneurship throughout the past century and a half (Meisel and Viloria 2003; Molina 2006). Nowadays, in Brazil and the Andean countries (Bolivia, Colombia, Ecuador, Peru) there still exist large, unexploited rural areas with plenty of agribusiness opportunities (Villegas 2014). Furthermore, entrepreneurial activity in Latin America has always been highly diversified, in terms of investment, not only across countries in the region but also among economic sectors within a given country. The degree, rhythm, and type of diversification may vary along the life span of an individual and are indicative of particular risk management strategies, ways of dealing with uncertainty, and willingness to associate capital in different countries, for instance, in Argentina (Reguera 2006; Cochran and Reina 1962/2011), Chile (Herrero 2014), Colombia (Ripoll 2007), México (Cerutti 1995, 2018), and Perú (Portocarrero 2007). Certainly, after 1930, industrial entrepreneurs properly became distinguishable actors that needed specialized capabilities in the management of capital, technology, and workforce, for example, in Argentina (Cochran and Reina 1962), Colombia (Londoño 2016), and Mexico (Recio 2016). It is interesting, however, that in face of the second wave of globalization and the ensuing business restructuring, by the end of the twentieth century, the diversification imprint revived as a valuable entrepreneurial asset. At the same time, this is related to what strategy management and business policy specialists call vertical and horizontal and backward or forward integration (Davila 2003a, b, 2013, 2015).

The role of entrepreneurs as innovators has been explored in ongoing works. In Latin America, entrepreneurs' innovations were not often in new methods of production and new products, but, rather, in other forms of Schumpeterian innovations, such as opening new markets, exploiting new sources of supply, and crafting new ways to organize business (Dávila 2013; Londoño 2016). Research has also clearly established that there was no uniformity across Latin America.

In addition, the increasing research output on business history in Latin America points out a number of topics that could serve to complement management development programs. These topics include the differentiation between entrepreneurial and managerial functions; the importance of the local and regional base of many entrepreneurial ventures; their role within local and regional elites; the importance of land ownership, which was not limited to providing original capital accumulation; the development of capabilities to deal with recurring crisis and instability; and the capability to learn and adapt best practices of large business firms based in the developed West, in which varied forms of entrepreneurship are present.

In general, the activities of individual entrepreneurs have been inextricably interwoven with family ties over time; there is a wealth of empirical evidence of this. Historical research, for its part, based on the notion that Latin America's economy has been supported by family businesses along the last two decades and has also contributed to an important conceptual and methodological reorientation of current debates and research agendas, more precisely, by taking the entrepreneurial family as a unit of analysis. This may constitute a twofold step forward in the academic study of family firms, a subfield of academic and consulting management. In the first place, it redirects the object of inquiry from family firm to entrepreneurial family (Fernández Pérez and Lluch 2015/2016). Secondly, it points out the advantages of a long-term approach so as to understand the dynamics of change and evolution of this particular management model, whose endurance, across different, not just emerging, markets, cultures, political, and institutional frameworks, is noteworthy (Fernández Pérez and Colli 2013). The last of these two purposes is perhaps more difficult to achieve. Indeed, mainstream business and management literature are full of archetypal prejudices against family-owned businesses. The list of ideological imaginaries about family business is long and illustrative of the ethnocentric, deeply flawed supremacist views that are not uncommon in the field of management. Family firms are often depicted as another vestige of the past:

obsolete, inefficient, and reluctant to relinquish power and control. Supposedly, they are non-innovative and maintain autocratic management structures. These inaccurate characterizations are epitomized by the notion that family-run businesses are a phase to be superseded along the evolution from *traditional* to *modern* societies and are not a few who, more blatantly, consider it an anomaly of capitalist development.

Against this ideological backdrop, research from the Latin American Southern Cone has resorted to a theoretical category, *family capitalism*, which makes it possible to examine research questions related to the relevance of family business during the last century, its dominant forms of organization, and longevity. The study covers 100 of the largest businesses for 10 benchmark years, from 1923 to 2010 (1923, 1937, 1944, 1954/1956, 1970, 1980, 1990, 2004, and 2010); it makes use of quantitative and qualitative analysis based on a rich variety of data. The main conclusion is definite: “Argentinean capitalism is and has been based on family-owned business” (Barbero and Lluch 2015/2016: 148).

Beyond the Argentinean case, it should be remarked that many of the entrepreneurial families across Latin America has organized as business groups (BG) whose role in the region has, and continues to be, prominent. To the point that without taking them into account, the contemporary functioning of the Latin American economy cannot be understood. A pioneer, nine-country (Spain and eight Latin American countries) comparative research project on BGs carried out in the present decade carried out by business historians is a good exemplar of the subdiscipline advances (Fernández Pérez and Lluch 2015/2016). Centered on Mexico, a recent book includes six studies on the generational transitions in entrepreneurial families (Almaraz and Ramírez 2016). It should be said that contrary to conventional wisdom, the role of BGs in developed economies has recently began to be revisited (Colpan et al. 2010; Colpan and Hikino 2018). Another visible pattern of the last quarter of century is the internationalization strategies of several of these largest Latin American BGs that have been conducive to their transformation into multinationals, the so-called multilatinas (Casanova 2009; Barbero 2014).

Another conclusion highlights an issue of interest in the international business and management literature: the relationship between immigration and entrepreneurship. In the case of Argentina, immigration was large and extensive to the point that, by 1914, one third of the country’s population was constituted by immigrants: Italian, for the most part, followed mainly by Spaniards, Germans, and Britons. They brought technical expertise, maintained close linkages with their countries of origin, and created a strong Italian-Argentinean business community. As a result of this, “corporate networks created at the end of the nineteenth century lasted well into the twentieth century” (Barbero and Lluch 2015/2016: 149). In terms of scale, longevity, and diversification, entrepreneurial families of immigrant origin have played an important role all across Latin America since the second half of nineteenth century (Fernández Pérez and Lluch 2015/2016). The distinctively turbulent economic, political, and social context, and the ensuing inherent uncertainty, led business actors, whether native or of immigrant descent, to develop a strategic managerial competence that helped to deal with uncertainty, in both the contextual and the institutional frameworks. A key component of said competence pertains to the relationships with politics and the State, as documented in the nine-country studies (Argentina, Brazil, Chile, Colombia, Costa Rica, Honduras, México, Peru, and Spain) included in the mentioned comparative research project (Fernández Pérez and Lluch 2015/2016). As well as analyzed in a book that covers seven Mexican entrepreneurs during the nineteenth and twentieth centuries (Palacios 2015).

On this regard, a research group (GHE, for its acronym in Spanish) from the abovementioned Colombian management school developed an analytical framework to conduct biographical entrepreneurial research. One of its six categories deals with business-politics relations, which are part of the political capital of entrepreneurs and managers. It is broken down into almost ten variables, which include political affiliation, voting in elections, funding electoral campaigns, contracting with the State, public sector positions by election or appointment, participation in political parties, membership and participation in business associations, leadership in private foundations, support to NGOs, and civil society organizations (Dávila 2012, Chap. 9).

Gold Mining: A "Practical" Entrepreneurship and Management School

The second instance to illustrate business history potential contribution to the history of management in the Latin American region refers to the history of mining. Gold and silver mining was important, especially in Mexico, Peru, and Bolivia since colonial times. As for silver, the region still holds the third place among the largest silver-producing mines in the world. On the other hand, Chilean economic development in the twentieth century could not overshadow the continuing importance of copper mining to the overall society. In the case of gold, this mineral has played an important role in Mexico, Colombia, and Peru. Colombia's case is interesting, particularly with respect to an isolated mountainous region named Antioquia. Gold was Colombia's chief export product during the nineteenth century, before coffee turned this Andean nation into a *país cafetero* (a country with a coffee-based economy) in the early 1900s. Antioquia's gold mining experience has entailed a wealth of expertise and practices that have been documented in Colombian business history bibliography, more specifically, those historical studies that, during the last decades of the twentieth century, stemmed from the academic debate on Antioquia's entrepreneurship and its so-called exceptionalism (Dávila 2012, Chap. 2).

The research on the history of mining companies, regional elites, and biographical studies of entrepreneurs, whose original capital accumulation started off with mining, in combination with high diversification in commerce, finance and banking, railroad and river steam navigation, pack mule transportation, and land colonization enterprises (Brew 1977; Molina 2003; Botero 2007), makes possible to learn about a number of entrepreneurship and management topics.

The list includes institutional change (e.g., a mining code on mines ownership, exploitation, and gold trade that replaced the Colonial Law) and role of foreign capital and of the British engineers who, acting both as technicians and managers, ventured into a "non-immigrant land," technical expertise and adaptation to technological change, labor relations, alertness to opportunities, risk management, capital association, technical innovation, and investment diversification through internal and export commercial networks. To this it should be added the financial issues related to the role of gold in international trade as a financial instrument in a "free banking" economy.

An example helps to ascertain homegrown management practices in the mining sector. By the 1870s, one of the largest Colombian mining companies (*El Zancudo*) already used economic incentives for their workers. One of these was to further the retention of scarce labor, for which other mines, railroad companies, and seasonal coffee harvesting competed. Another incentive aimed at motivating workers to increase productivity, especially in the processing of gold ore. The first incentive consisted in granting married workers the property of small plots of land in rural areas near the lode mines – which allowed them to be close to their families and help out in land cultivation during their spare time – and single workers received housing and board and lodging. On the other hand, increasing productivity was tied to a monetary incentive. The whole scheme was designed in the early 1860 by one of the company's female owners. These practices were put into operation three decades before Frederick W. Taylor's classic book, *The Principles of Scientific Management* (Taylor 1912), came out. The scheme also included money penalties (fines), which fueled a fund for the purchase of clothing and personal utensils that were later raffled among the workers (Molina 2003).

Taylorism and, years later, Henri Fayol's general management theory were eagerly studied during the first decades of the twentieth century at the *Escuela Nacional de Minas* [National School of Mines], located in Medellin, Antioquia's capital city. A cadre of engineers was trained on Taylorism, which would be applied in railroad operations, local and regional public administration, and some of the pioneering local manufacturing firms. One of these engineers, Alejandro López, head of the mining company El Zancudo, made a keen use of Taylor's scientific management theory to improve the existing incentive scheme. He later became president of the mentioned engineering school and exceled by taking advantage of the company's *practical* management legacy, combined with leading-edge academic knowledge (Mayor 1984; Orozco and Anzola-Morales 2019). Overall, cases like these were not uncommon: Antioquia's mining sector, in conjunction with the commercial sector, became a "practical entrepreneurship and management school" since the mid-nineteenth century.

Behind these and other related management practices and techniques, an entrepreneurial and managerial way of thinking began to develop, one that is part of the "capitalist ethos" that took decades of individual, group, and organizational learning, a kind of learning that, by struggling with material, geographical, and economic potentials and limitations – not through cultural, religious or ethnic deviance – "forced *Antioqueños* along enterprising pathways." They excelled "not only as the miners and merchants, but also as the colonizers, bankers, tobacco growers, railroad builders, coffee producers, and industrialist of Colombia" (Twinam 1982: 149–150).

The use of business historiography on the mining sector as well as of other branches of the Colombian economy (agroexport products – coffee, banana, oil, manufacturing industry, banking and finance, transportation) in teaching at the aforementioned Universidad de los Andes' Management School for half a century has been an experience plenty of learnings on the interaction between research on the country's reality and teaching management. Hundreds of undergraduates; managers-to-be, who enrolled in the ample portfolio of MBA programs; and seasoned managers and businesspersons, who participated in executive education seminars, have passed as part of their education through the analysis and discussion of some of these topics since the mid-1970s. The corresponding teaching chores have been in the hands of a business history research group (GHE for its acronym in Spanish) established in 1974 (Dávila 2015; GHE 2019).

Management as a Profession and Management Education, 1900–1970

The bulk of this chapter has focused on (i) the diffusion throughout Latin America of the ideology of development and the ensuing academic debates, and the marginal space for management within them, and (ii) the traces of the evolution of management practices resulting from research on the "alternative business history" (ABH) of emerging markets. The last part of the present chapter provides an outline of the traces of management professionalization in the region. It is undertaken from the perspective of the pathway of formal management education along the 1900–1970 period.

In Latin America, the origins of management education are intertwined with the development of the liberal professions. The legal profession is the oldest and, for a long time, the most prestigious. It was taught at universities since colonial times, mostly from a definite Roman Catholic stance, by religious orders such as the Jesuits, who ruled their own universities and educated the local elites in several countries (Dávila 1991). In the case of Colombia, by the mid-nineteenth century, the "ideal of the practical" moved elite members to send their sons to universities abroad, especially to England and the United States, for them to become familiar with a technical culture (commerce, engineering, and medicine). The impact of this was varied (Safford 1976). The abovementioned *Escuela Nacional de Minas* was established in 1886 and played a key role in exposing cadres of mining and civil engineers to the new field of management. This school gave the new discipline the name of *industrial economics*, which encompassed not only Taylor and Fayol's theories but also the French positivist sociology of work (Mayor 1984, 2001). The latter pertained to an intellectual tradition, different from that of the human relations school, which sprouted by those same years in the United States. Counting on its prestige and trajectory, the school became incorporated into a public university and began to offer a program since the early 1960s, whose name *ingeniería administrativa* (management engineering) better reflected what it had accomplished during the first half of the twentieth century.

During the first global economy (1870–1929), the export-led model reached its peak (1870–1914) and industrialization furthered its course, especially in Mexico, Brazil, Argentina, and Chile. Law schools did not go unchallenged as recruitment sites for top managerial positions. In fact, top engineering schools began to play a role in the training and development of a new type of engineer, who would combine technical skills with the basics of the emerging field of business management. Two noted cases are the Commercial Engineering undergraduate program, established at the University of Chile in 1935, and the Instituto Tecnológico de Monterrey [Monterrey Institute of Technology], founded in 1943 by a group of leading industrialists of this Mexican pioneering industrial city, located close to the United States' southern border. The Monterrey Tech was modelled after MIT, where several generations of Mexican elite members had studied. The founder of Monterrey Tech, Eugenio Garza Sada (1892–1973), did not agree with the idea of having a School of Law nor one of Philosophy and Letters. Instead, the new educational institution established two new management-related undergraduate programs: one in the School of Industrial Engineering, which would award the degree of Administrator; the other, based on the Escuela Contable (School of Accounting), awarded the degree of *Administrador de Negocio*s (Business Administration) (Recio 2016, Chap. 7).

In the case of Colombia, the scope of the influence of the engineers from *Escuela Nacional de Minas*'s was not circumscribed to a region (Antioquia) but reached other major cities, the capital of the country included, and went beyond occupying top positions in industrial companies to have some impact in the public sector and in the organization of collective action, chiefly that of the coffee growers association (*Fedecafe)* which since its foundation in 1927 became a major center of power regarding Colombia's economic policy. Alejandro López the abovementioned former president of the *Escuela* became head of *Fedecafe* in the 1930s as well as minister of education. Another graduate (Mariano Ospina-Pérez, member of a Colombian "presidential family" as were the founders of the *Escuela*) who taught at the Escuela during the 1920s became general manager of Fedecafé in 1930. During the 1930s Ospina-Pérez taught "industrial economics" at the Jesuit's *Universidad Javeriana* Law School in Bogotá. He published an abridged translation into Spanish of Fayol's book (in French) as a textbook for his course (Ospina-Pérez 1938). A section of the textbook was aimed to explain the idea that the country's development could be enhanced by combining the coffee economy culture with industrialization. To be remarked, Ospina-Pérez became President of the country between 1946 and 1950.

Interestingly, Fayol's *Administration Industrielle et Générale* (1961) only reached the anglophone audience in a translation published in 1930 in Geneva by the International Management Institute (Fayol 1930), just 8 years before its Spanish translation (1938). The industrial economics course was taught in the school of Law at Jesuit's Universidad Javeriana together with courses on accounting and statistics. The degree conferred was one on "juridical, economic, and social sciences" which lasted until the mid-1970s when the school of *Ciencias, Económicas*, *y Administrativas* (economic and administrative sciences) was launched. It signified the differentiation between law, management, and economics. The new school was organized into three departments and remains so to the present (economics, management, and accounting), each one conferring a different professional degree after 5 years of study. Ospina-Pérez also taught the novel subject at Colombia's leading public university (*Universidad Nacional de Colombia*) since the late 1930s (Mayor 1984, 2001). An Economics Sciences Institute was set up there as part of the School of Law and Political Sciences in 1945. The Institute became the School of Economics in 1952 that by 1960 was composed by three units: public economics, private economics, and economic statistics. As can be seen, from a disciplinary view management was in the realm of economics, a discipline dealing not only with the market/private sphere but also with economic policy and the State. The importance of data and measurement was reflected by the space given to statistics within the curriculum. By signaling a wider phenomenon taking place in the largest urban centers of this "country of cities," an undergraduate, 5-year degree in business administration and another one in public accounting were established in 1965; they came after the degree in economics launched in the early 1960. http://www.fce.unal.edu.co/facultad/mision-y-vision#historia

Having risen as a new theme for teaching at established professional schools (Engineering, Law) during the first decades of the twentieth century, the process of professionalization of management made important advancements in cases like those mentioned in Chile, Colombia, and Mexico during the 1940–1970 period. To them it should be added the foundation of Sao Paulo School of Business Administration (FGV EASP) in 1954, sponsored by the joint effort of the business community, through a private foundation (FGV), and the Brazilian government. The academic support was provided by Michigan State University.

The creation of specific undergraduate programs in management conferring a professional degree whose duration was the same than of other professions like engineering was a step ahead in the legitimation of the new profession. It came parallel to the surge of economics and the ensuing differentiation among economics, management, and accounting.

In some countries, the influence of the legal profession was also reflected in the role that played in the idea of applying nascent management concepts, techniques, and tools to the public sector via the establishment of schools of public administration. Fayol's principles and his administrative process were conceived by the French author as useful both to business enterprises and the public sector – an administrative theory of the State. His theory provided a basis for teaching management, and he was an untiring advocate of the need and possibility of formal teaching of management. This could be seen in the founding in Rio de Janeiro in 1952 of the Brazilian School of Public Administration (EBAPE), the first institution dedicated to studies of administration in Latin America. This school was promoted both by the Brazilian government and the already mentioned private foundation (FGV). In México the *Instituto Nacional de Administración Pública* (INAP) was established in 1955 followed in 1958 by Argentina's *Instituto Superior de Administración Pública* (ISAP) (Kliksberg 1984). In the same year in Colombia, the School of Public Administration (ESAP) was founded under the auspices of an experts' mission sponsored by the United Nations. From its beginnings ESAP orientation closely followed Fayol's administrative doctrine reflected in the school's curriculum. Its normative approach left an imprint in the hundreds of public officials who attended it and in the organization of the country's civil service (Dávila 1985/2001, 1991). The ideas of public management would came throughout Latin America in the 1990s concurrent with the liberal reforms that included a minor role of the State in economic development, privatization of public enterprises, and the like (Cabrero and Nava 1999).

The origins of a leading private management school (Universidad de los Andes' School of Management (UASM)) in the country's capital (Bogotá) can be traced to *Escuela Industrial y Comercial del Gimnasio Moderno* (EICGM) created in 1943 as annex to a private high school. Harvard Business School provided some support through a member of its faculty and the HBS case method was used in some courses; in its initial years another novelty was a course on work psychology taught by a Spaniard mining engineer. By the end of that decade, it was incorporated into the School of Economics of Universidad de los Andes, a private, independent, non-denominational university founded by a group of local elite members in 1948. This school offered a 5-year undergraduate program in ("pure") economics and one in "industrial economics," the name coined for management studies in the mentioned Escuela de Minas de Medellín. Courses in economic theory, accounting, finance, and marketing were at the core of the curriculum. Some faculty members went to Stanford for graduate training during the mid-1960s yet none followed the PhD track. This contrasted with the economics department whose early interest in research was fueled by the establishment of a center for economic development (CEDE by its acronym in Spanish) in 1958; later on a handful of its graduates went to undertake doctoral training at American universities. By the end of the 1960s, CEDE has already reached an international reputation as one of the top research centers in economic development in Latin America (Ospina et al. 2008).

To some extent management, as an academic discipline was sidelined vis-a-vis the "pure" economists housed at the same school. By the mid-1960, an industrial engineering department was established within the renowned School of Engineering of that university (Uniandes). From its beginnings offered courses in management theory, including authors like Douglas McGregor (1960) and Rensis Likert (1961) and on planned change approach, coined as organizational development – OD – approach (Margulies and Raia 1972; French et al. 1978). Those and related courses on industrial sociology and business and society represented an early critical standpoint in management education in that country. In fact, it departed from sole resilience on Taylor (the father of industrial engineering) and especially in Fayol's administrative doctrine after which most of management education in the country would be modeled. This was reflected in the prevalent curriculum structure patterned along the administrative process and the underlying faith in administrative principles and their ensuing prescriptions on administrative and managerial action (Dávila 1985/2001, Chap. 3).

By 1973 *La Facultad de Administración de la Universidad de los Andes* (UASM by its acronym in English) was chartered as a new school, separated from the School of Economics. At its bottom was the industrial economics department and the potential that represented the existing close relationship with the industrial engineering department. In returning from graduate training in research at American and British universities (Northwestern, Oxford, MIT, Harvard, NYU, Pittsburgh, Pennsylvania), a handful of former industrial engineering faculty members either joined UASM or stayed at the School of Engineering whose courses could be taken by UASM students. At the same time, five of them started pioneering empirical research on Colombian business and managerial reality on novel themes related to business history, labor unions history, organizational change, and development and management of technology. A quest for innovation in research and teaching as complementary activities, long-term research agendas, multidisciplinary composition of faculty, a curriculum that departed from conventional management functions and introduced courses on organization theory, business history, public management, social enterprise, and the like have been a distinctive UASM signature over almost half a century of existence. The MBA was established in 1974 and the Ph.D. in management came three decades later (2007). Suffice to say, this school that self-portrays as a *school of management not a (private) business school* by the mid-2000s received the triple international accreditation ("triple crown") by American (AACSB), European (EQUIS), and British (AMBA). By 2019, 90 business schools around the world hold this distinction: 68.2% of them are European, 10.6% Latin American, 7.6% from Oceania, 6% from Asia, 4.5% from Africa, and 3% from North America. Among the ten Latin American "triple crown" schools, Mexico and Brazil each have two, and one is located, respectively, in Argentina, Chile, Colombia, Costa Rica, Perú, and Venezuela. https://www.mba.today/guide/triple-accreditation-business-schools UASM 45-year history, as well as these other top management and business schools, is one of the topics of a bulky research agenda on the history of management in Latin America in whose traces the present chapter has started to make inroads.

Conclusion

The initial search for the traces of the history of management in Latin America attempted in this chapter leaves a note of optimism. Indeed, it seems meaningful to develop a research agenda on the history of management in this region. The three approaches to management utilized to examine a sample of management ideas, practices, and tools that Latin American actors have developed over the period of 1870–2020 rendered some interesting results. First of all, one of them refers to the debates around development and underdevelopment that emerged during the 1960s and the 1970s between adherents of the American modernization theory and those of the Latin American dependency theory. For a variety of theoretical and methodological reasons, management issues were not at the central stage at the time, neither for the *dependentistas nor* for modernization theory followers. This notwithstanding, the debates left no doubt about the pressing need for rigorous research to counteract the overriding generalizations that emanated from both opposite ideological stances. Secondly, business history provides a trail of traces in this quest for specific issues in management history. The few instances described about the mining sector, both as a source and a "practical school" of entrepreneurship and management, are encouraging. Also promising are the scores of management topics found in existing historical studies on entrepreneurs, entrepreneurial families, business groups (BGs), and *multilatinas*. Thirdly, the short profiles of the origins and evolution of management education institutions in a few countries, from 1900 to 2020, suggest issues that allow for a comparative research on top management schools in the region.

Finally, there are a series of topics that could have been addressed, but that for reasons of space could not be dealt with in this chapter; they may be included in a research agenda on the history of management in Latin America, in addition to those explored herein. In short, the historical trajectory of the following topics in the capitalist development in this region of the world needs to be object of scholarly inquiry: management and business practice; management education; public management; Latin American management thought (thinkers, publications, academic journals); management innovations; sustainable development management; multilateral agencies' role in management development; regional management academic associations and networks; labor relations and workers' organizations; managerial fashions, panaceas, gurus, and missionaries; evolution of specific management techniques in the functional areas (strategy, organizations, marketing, finance, operations, and logistics); and management consulting. Obviously, to further an umbrella sort of research agenda like this is a complex, long-term endeavor to be discussed across the Latin American management and related disciplines environment. Experience indicates that for specific settings (university departments, management schools, research groups) in a given country, to undertake one or a pair of this long list of research themes is a fascinating intellectual challenge. In decades ahead it could contribute to the present (and future) debates for management history to have a genuine global scope.

Cross-References

- ▶ Governmentality and the Chinese Workers in China's Contemporary Thought Management System
- ▶ Indian Management (?): A Modernization Experiment
- ▶ Introduction: Management Heterogeneity in Asia
- ▶ Management History in the Modern World: An Overview
- ▶ Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
- ▶ The Making of a Docile Working Class in Pre-reform China
- ▶ The Perfect Natural Experiment: Asia and the Convergence Debate
- ▶ Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand
- ▶ What Is Management?

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Think Big and Privatize Every Thing That Moves: The Impact of Political Reform on the Practice of Management in New Zealand

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Andrew Cardow and William Wilson

Contents

Abstract

With the change of government in 1984, there was a perceived need by the incoming government to undertake a fundamental change in the way New Zealand was governed. This in turn saw a change how business managers and those in high government office approached their jobs. This change coincided with a western trend toward the embracement of the neo-liberal agenda. In the case of New Zealand, the reforms put in place by the incoming Labor government and continued through successive administrations on the left and right, manifested in a paradigm shift in the perception and role of management and managers within New Zealand. The chapter does not take a stand on whether such changes were beneficial or otherwise but rather traces the developments that lead to a change in management theory and motivation in New Zealand.

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Introduction: The New Zealand Frontier, 1790–1900

A study of management history is in effect a study of the organization of commercial activity. Initially like many "frontier" societies, European commercial activity in New Zealand was based entirely around the need for Europeans to secure natural resources. Michael King, in his well-regarded History of New Zealand, places the start of such activity in the decade beginning 1790 (2003, p. 118). New Zealand's flora and fauna was unique and abundant, wood and flax were easily harvested from virgin forests and lowlands while abundant sea mammals around the coast, who were largely unafraid of man, provided fur, oil, and blubber. All products were much in demand in the capitals of Europe and formed the basis of many European fortunes. A pattern of exploitation undertaken by private businesspersons set the template for early New Zealand industry. Volume 1 of the Dictionary of New Zealand Biography is replete with such people. One such person is Ranulph Dacre, a trader and exploiter of whale and timber products in precolonial New Zealand (Rogers 1990). Although not a "major" player, he is indicative of the type of business person that was active in precolonial New Zealand. A self-made man who entered service in the British navy at the age of 13, Dacre subsequently became a merchant's ship captain, making and losing fortunes with some regularity over the course of an Australasian business career built around trading and land speculation that covered the years 1824 to 1872, years that eventually saw Dacre return to Britain with modest wealth. New Zealand was, in short, until the late twentieth century, a country built upon biological resource exploitation and farming. Consequently, it was land, most particularly for agriculture, which was the primary driver of commercial and managerial activity in early New Zealand. Yes, the entrepreneurial exploits of the early traders cannot be overlooked. But it must be emphasized that it was with ecological exploitation that New Zealand experienced something close to organized management.

As King (2003) notes, the pattern of ecological exploitation that has characterized New Zealand history predated European settlement, commencing in the 13th CE with Maori colonization of what they called *Aotearoa* ("Land of the Long White Cloud"). From the start, human relationships with the natural world were troubled, the Māori, upon their arrival, driving to extinction the large, flightless Moa that stood at the top of the ecological pecking order. Relationships with the natural world became even troubled in the 19th CE with the arrival of Europeans in search of fuel, land, and "the exotic" (furs, whale oil, gold, etc.). While European settlers to New Zealand in the 1800s viewed the country as a new frontier, the indigenous people of New Zealand, collectively known as Māori, were initially supportive of European settlers. Some but not all Maori also saw some advantage in adopting the methods of the Europeans. Again, the Dictionary of New Zealand Biography details how Hone Tuhawaiki – a Māori leader of the Ngai Tahu people who dominated

New Zealand's South Island – was adept at selling land in order to buy goods from traders and sealers, goods that included a ship on one occasion. He also adopted many of the "trappings" of the European, living in a weatherboard house and wearing a full Naval Uniform. By 1840 when he signed the Treaty of Waitangi, he was the acknowledged leader of the Ngai Tahu (Anderson 1990). While the first generation of European traders, whalers, and sealers posed little threat to Māori land occupancy, this changed when in the early 1820s they were joined by flax exporters, Kauri loggers, and shipbuilders; the latter group being initially concentrated in and around the settlement at Kororāreka (now known as Russell) in the north of the country (Sinclair 1991, p. 39). However, it was not until the third decade of the nineteenth century that systematic European colonization of the country was considered by the British government (King 2003, p. 156; Temple 2002).

By 1840 the increasing number of European, North American, Australian, and Asian settlers was causing tension, not only between the Māori and the newcomers, but also among the settlers themselves. This prompted a call for the British Crown (King 2003, p. 152) to provide certainty of security. Subsequently, British authority was formalized when, on 6 February 1840 at Waitangi, a treaty between Governor Hobson, as the Representative of the British Monarchy, and several Māori chiefs, ostensibly representing all Māori, essentially ceded sovereignty of New Zealand to Britain. The Treaty of Waitangi is now taken by many to be the founding document of New Zealand.

The signing of the Treaty of Waitangi may have given many a sense of increased security. For those entrepreneurs, however, who were actively organizing the colonization of the country, it threatened to undermine their entire business model, a model premised on their ability to buy land from the Māori to sell to colonists. As Burns (1989, p. 154) notes, when William Wakefield, leader of the New Zealand Company in Wellington, was given a copy of the treaty by the Reverend Williams, he swore at him. Wakefield and the New Zealand Company relied on selling land to investors in UK. It is likely that his anger was caused by a (genuine) fear that he would no longer be the sole arbiter of land exploitation in the Wellington region. Nevertheless, from 1840 there was an increase in settlers arriving, mainly from the United Kingdom. In part, this upsurge reflected the efforts by the New Zealand Company to consolidate its position *vis-a-vis* the Crown. However, ongoing disagreement over the meaning of the Treaty, along with a growing reluctance by Māori to sell land suitable for settlement to the government, eventually brought to head the steadily building tensions, tensions that resulted in a series of armed conflicts from 1842 to 1872 (Ministry for Culture and Heritage 2014).

By 1845 the New Zealand government was in a difficult position. With an estimated European population of 12,744 (Statistics New Zealand 2015), necessary infrastructure was lacking. There was a feeling of disquiet that in some circles the Maori, no longer had sovereignty over their own land. This fundamental confusion within the meaning of Rangatiratanga (governance or sovereignty) continues to be a source of tension between Maori and the Crown. In the mid-nineteenth century, the tensions led to warfare which lasted until the early 1870s. What came to be known as the New Zealand Wars devastated the Māori population, which went from 80,000 in 1845 to 56,000 by 1851 (NZ Government Staff 1893 to 2010; Statistics New Zealand 2015).

With the Māori more or less defeated by 1872, with holdouts confined to the rugged fastness of the "King Country" of New Zealand's North Island, New Zealand in the latter half of the nineteenth century went through a number of boom and bust cycles. As was the case previously, these were driven by land hunger and the demand for natural resources. Behind this new boom, however, was a fundamental alteration in the New Zealand landscape. After the Treaty was signed, the Crown gained control of vast native kauri forests covering much of the North Island. Subsequently, these forests were felled and the lumber shipped to Australia and the UK. Forest land, once cleared, became available for settlement. Increasing numbers of settlers spread out across the country, establishing towns and farms. Mining also attracted immigrants. With gold rushes occurring in California (1848) and Australia (1851), New Zealand also attracted prospectors (La Croix 1992, pp. 204–227; Umbeck 1977, pp. 197–226). These bonanza seekers were rewarded with gold finds in the Coromandel peninsula in 1841, Central Otago in 1861, and West Otago in the late 1860s (King 2003, p. 208). Fuelled by such new found sources of wealth, the New Zealand population rose to 668,652 in 1891. By this stage, the Māori component was outnumbered by almost eight to one, having stabilized around the 42,000–44,000 mark. Increasing European population dominance, however, did solve the question of land ownership. Never fully defeated, and never accepting the Crown's interpretation of the Treaty of Waiangi, Māori discontent and opposition was never resolved. The unresolved nature of this conflict can be ascertained by the fact that in 1975 – when the Māori numbered some 360,000 in a population of 3.2 million – a Hikoi (land march) from the Hokianga in Northland culminated in thousands of marchers and their supporters descending on Parliament, demanding that not one more acre of Maori land should be alienated. In response, the Government established the Waitangi Tribunal to hear Maori grievances. The Tribunal's power was limited to make findings of fact and recommendations, progress was slow, and in 1977 there was a 506 day occupation of land at Bastion point in Auckland. Eventually, in the face of continuing Māori opposition, the Crown entered into direct negotiations with the Māori in 1988, bypassing the Waitangi tribunal. Even this measure, however, failed to resolve the situation. Even today, with individual claimants (iwi and hapū) and a number of multimillion dollar settlements, countless disputes over land ownership are still outstanding.

Home Ownership and the Creation of a Welfare State

As noted in the previous section, the issue of land ownership has long been central to patterns of commercial activity in New Zealand. From the 1890s onwards, however, problems relating to land ownership increasingly assumed an urban hue. As Gibson (1973) indicates, by 1891 some 45.4% of the New Zealand population were town dwellers with 28.4% of the total found in the four main urban centers, namely, Auckland and Wellington (both North Island) and Christchurch and Dunedin (both South Island). By 1936, the comparable figures were 60% and 36.4%, respectively. As the twentieth century progressed, this trend became more and more manifest, making matters relating to urban circumstance the central factors in the New Zealand experience. By 1971, almost half the nation's total population (47%) was found in the four large metropolitan centers. Another 31.8% lived in smaller towns, leaving only 21.2% living in rural settings (Gibson 1973, pp. 71–84). At the time of writing (2018), approximately a third of New Zealand's population of 4.7 million lived in Auckland. By comparison with Auckland's outsized growth, the preeminent South Island cities – Christchurch and Dunedin – remain modest in size, the former boasting 360,000 inhabitants and the latter 120,000. Among North Island cities, only Wellington, with 412,000 citizens, remotely rivals Auckland in size.

As early as the 1890s, the then Liberal Government in New Zealand recognized that growing urban areas was starting to affect the quality of city life and began to encourage the better off working class buy their own house in the quickly growing suburbs (Fergusson 1994). They provided low interest loans; however, there was a very poor uptake, mainly because the transport cost outweighed the shift from low quality city accommodation. In 1905–1906, as a way of building upon the work done by previous administration, the reforming administration of Richard Seddon (Prime Minister, 1983–1906) passed two pieces of legislation that both indicated the growing importance of the urban population and the willingness of New Zealand governments to override market forces in the pursuit of social objectives. The first of these two pieces of legislation, the *Workers Dwelling Act 1905*, made provision for the construction of houses in suburbia designed for inner city workers. The second, the *Advances to Workers Act 1906*, encouraged the purchase of a single level standalone house on a plot of land in suburbia, houses which the government itself intended to construct. Like the administration before them, however, Seddon's government discovered they could not build the houses cheaply enough for their intended market (Schrader 2005). By 1910 only 126 of an anticipated 5000 had been built. Despite this practical failure, the government intervention in housing supply and purchase, helped spell out an interventionist strategy by government that was to persist for most of the twentieth Century, had been cast. The State would, when it became involved in the market, build high quality buildings that would help working people afford to purchase their part of the New Zealand dream. In expressing the continuing importance of this social objective, in 1950 Sidney Holland, the then Prime Minister Holland, is reported as saying: "the Government has great faith in the social value of home ownership . . . it promotes imitative, self-reliance, thrift and other good qualities which go to make up the strength of the nation" (Schrader 2005). It is this first approach towards "self-help" that in turn lay the foundations that would lead to a change in the way management was practiced in New Zealand during the 1980s.

It was not only in terms of housing policy that the New Zealand governments of the late nineteenth and early twentieth centuries showed themselves to be receptive to reforming measures. Particularly prominent among these measures was the

Industrial Conciliation and Arbitration Act 1894, a piece of legislation introduced by one of the great reforming figures in New Zealand history, William Pember-Reeves, who served as a Liberal Party Minister for Labor between 1892 and 1896. Under this piece of legislation, the first of its type to apply to a national economy, trade unions gained official recognition as representations of workers. Wages and other working conditions became subject to de facto state regulation as the "awards" of the Arbitration Court were legally binding on all parties. In reflecting on New Zealand's system of compulsory conciliation and arbitration system – which was to endure in a largely unchanged forms until 1991 – Pember-Reeves (1903) accurately observed in his book, *State Experiments in Australia and New Zealand,* that "to a large extent" it was "the Labor Laws" of Australia and New Zealand "which helped to distinguish the spirit of these democracies from that of countries like Canada and parts of the United States." In both their "boldness and stringency," Pember-Reeves added, "they are not matched elsewhere." Other reforming legislation that characterized the Liberal governments of the late nineteenth and early twentieth centuries included female suffrage, introduced in 1893, and old age pensions, introduced in 1898.

Significantly, the great industrial and social welfare reforms of the late nineteenth and early nineteenth centuries were due to the actions of middle-class based Liberal Governments, not working-class or trade union based Labor Governments. After a generation of relatively inaction, however, the interventionist creed was given new force with the articulation and legislation of a "cradle to grave" welfare state under the administration of Labor's Joseph Savage (Prime Minister 1935–1940) and Peter Fraser (1940 to 1949). Subsequently, the social policies of full employment and the provision of a "*social welfare safety net*" for all New Zealanders were adopted by both National and Labor governments. In the 1950s and 1960s, the economic cost of these welfare initiatives was comparatively modest. These decades were prosperous times for all New Zealanders with the country ranked towards the top of the OECD league tables; a position based almost entirely upon the bounty of its agricultural produce, most of which was sold to the United Kingdom. However, by the mid-1970s the wheels started to come off the interventionist model that had long characterized New Zealand society. New Zealand found itself without a major purchaser of agricultural product when the UK entered the EEC in 1973. At home, the advent of Supplementary Minimum prices and the OPEC price increases lead to some major financial issues. In an attempt to redress these issues and in part an attempt to "future proof" the New Zealand economy, the National government under Prime Minister Muldoon put in place a number of initiatives. They closed down and redistributed the national superannuation fund, fixed the exchange rate, and embarked on a number of large scale infrastructural programs colloquially known as Think Big. Finally in the last few years of their tenure, the National government presided over a wage and price freeze. When a snap election was called the government fell, it was a first part of the post landslide victory for Labor. However, the Labor government did not inherit a "star." Rather the economy was very close to collapse. Reform was required; the scale of such reform and the method of such reform contributed to a change in the way management was see and practiced with New Zealand to this day.

The Unraveling of a Century of State Intervention

The previous sections have been provided as background, for what is the real context of this chapter; New Zealand in the 1970s and 1980s – when New Zealand came of age and the practice of management in New Zealand changed forever. The 1950s and 1960s were our teenage years, life was easy, and New Zealanders were prosperous. A Treasury working paper by Mawson (2002) ranks the country either third or fourth place among OECD countries at this time. Unemployment in the 1950s was extremely low, with a popular joke of the time being, "*they were personally known to the Minister of Labour*." Socially the population of three million people also found its voice, demonstrating, against New Zealand's involvement in the Vietnam War, sporting contact with South Africa and nuclear testing in the Pacific. Domestically, New Zealand land rights and the women's movement were inciting passion. New Zealand was truly the land of milk and honey; however, events outside New Zealand were soon to end the good times. For example, Britain joined the European Economic Community in 1973, limiting access to what had been our primary export market. In 1973 and again in 1979, Arab OPEC countries substantially increased oil prices, as a result, New Zealand plunged down the OECD league tables. The response of a newly elected Prime Minster, Robert Muldoon in 1975, was to invest heavily in "*Think Big*" projects designed to make New Zealand self-sufficient in energy while creating employment opportunities. However, while waiting for these projects to come online New Zealand faced rising inflation, Muldoon's response in 1982 was to freeze prices, wages, and interest rates while at the same time, to earn much-needed foreign currencies he offered farmers subsidies and minimum prices. Muldoon's wage and price freeze were unpopular and by 1984, his majority in Parliament had shrunk to one. When faced with the dissenting voice of National MP Marilyn Waring threatening to vote for an opposition sponsored nuclear-free legislation; Muldoon called a snap general election. National lost the 1984 winning only 37 seats in a 95-seat parliament, thus effectively ending the political career of one of New Zealand's most powerful and polarizing prime ministers and minister of finance.

With power suddenly thrust upon them Labor immediately faced a crisis, as prior to the election Muldoon had been receiving advice from the Reserve Bank to devalue the New Zealand dollar. Muldoon steadfastly refused, resulting in the New Zealand dollar coming under pressure from speculators. Following the election, the New Zealand dollar faced increased pressure and New Zealand faced a constitutional crisis as Muldoon refused the convention to take advice from the incoming government. Eventually Muldoon acceded the dollar was devalued 20% and funds flowed back into the country. The newly sworn in Labor government, following advice from Treasury, the Reserve Bank and others immediately set about reforming New Zealand constitutionally, economically, and socially. They followed a "neoliberal" ideology being promulgated by the major players within Bretton Woods institutions and which was fast gaining ground in the UK and the USA. The remainder of this chapter examines the policies of the fourth Labor Government and the legacy left by its three main actors, Prime Minister Lange (the great debater), Roger Douglas (Minister of Finance whom the term Rogernomics was coined), and

Richard Prebble (Minister of Railways). Following a brief literature review, illustrative examples are provided demonstrating how the management reforms impacted on management practice and the country as a whole. These are followed by brief discussion and conclusion.

The 4th Labor Government, over the 6 years from 1984, became one of the most aggressive proponents on neoliberalism in the OECD. Christopher Pollitt (2000, p. 185) writing about rise of neoliberalism in the west went as far to say, although New Zealand was in the vanguard of reform, it is certainly not recognized as a model to imitate. This then is the story of how a Labor Government enacted and institutionalized the ideology of neoliberalism in New Zealand, changing the way New Zealanders saw management and business, forever. This chapter necessarily relies on contemporaneous government publications and management commentary. This is to illustrate the change in management practice in New Zealand because of the Government's adoption of neoliberalism. Granted, the country was not the first to dabble in this paradigm; it was however seen at the time and continues to be seen in hindsight as the most neoliberally "progressive" of the western democracies (Boston and Eichbaum 2014; Eichbaum 2006; Pollitt 2000).

The neoliberal agenda was set by the Lange administration and it was not until the second term of the Labor government the "reforms" which were to have such an impact on management practice in New Zealand began to bite. The Lange administration had signaled far-reaching changes. Since 1984 they had been actively putting in place foundational reform, after another victory in 1987 the mooted changes began to be entrenched. It was an institutional desire to be seen as responsible and business like, that led to the "*success*" of the reforms firstly within the public sector then the wider management arena in New Zealand. This is based on the theory that individual managers within government controlled business organizations are more influenced by their need to achieve identity and legitimacy from "business" practitioners than their in their desire to better serve the public (Litvin 2002). Thus, managers may wish to be seen by their peers, and by society in general, as owners and managers of a "business" and so will adapt their behavior to reflect what they believe are the appropriate and commonly held assumptions surrounding the concept of management. Because individual actors choose to adopt behavior patterns that clearly identify them as belonging to a collective, the literature of institutional theory accommodates both collectivist and individual approaches to the subject. These oppositional elements – individualism versus collectivism – inherent in institutional theory can be used to build a theory for government managers, since management is perceived as being at once an individual and a collective construct (Haugh and Pardy 1999; Pfeffer 1982; Weber 1947, p. 360).

Privatization and Reinvention of Public Service

Following from the above and outlined below are the main ideas promoted by the movement for the "re-invention of government" which themselves were not new. Well before the publication of the book by Osborne and Gaebler, *Reinventing*

Government (1993), much had been written regarding the benefits, or otherwise, of encouraging government managers to adopt the techniques of private-sector business managers. One of the more significant authors in this field was Selznick (1947/1966) who in his book, *The TVA and the Grass Roots*, clearly described how government workers clothed themselves as private businesspeople. At the time, the phrase privatization was not used. However, by the time Considine and Painter (1997) published their book on managerialism, the concept had become not only entrenched but colonized within both the public and private sector in New Zealand. In the latter part of the twentieth century, the ideas first raised by Weber became enmeshed in the reinvention of government movement and gained support from a mixture of neo-liberal contributions. These inputs ranged from the sociological through to the economic and political and helped lay the foundation for what was variously known as Thatcherism in the United Kingdom, Reganomics in the United States, and Rogernomics in New Zealand. These neo-liberal political/economic adjustments to macropolicy occurred close enough in time to be seen as a western trend; they all emphasized privatization of government commercial operations, together with a belief that private enterprises were more efficient, beneficial, and equitable than state-owned and staffed operations.

The ideology gathered support throughout the 1980s and was, by the 1990s, sufficiently established for academic and industry papers to appear chronicling the push for privatization. Most of these stories were ones of acceptance and encouragement (OECD Staff 1993; Osborne and Gaebler 1993; Prokopenko and Pavlin 1991; Schneider and Teske 1992). The OECD had interpreted economic rationalism to mean pursuing Market-Type Mechanisms. However, it would be erroneous to suggest that the path was universally approved. Concurrently, there was gathering critique. Many critics, in New Zealand and overseas, were far from convinced of the economic and social benefits promised by the Market-Type Mechanisms or the new efficiencies suggested by the "*New Public Management*" (Kelsey 1993, 1994, 1997, 1999; Pollitt 2000, 2001; Sharp 1994). Such a focus on central government management reform is important within the context of New Zealand. In New Zealand, the managerilaist reforms undertaken in the public sector had a large influence on the private sector. In some ways, they assisted in shaping the way managers saw their job. In New Zealand managerialism, usually a term of derision, had become entrenched – to the point that the term itself was colonized by its practioners. For example, a State Services publication, Current problems in Public Management (State Services Commission 2002), suggests that government policy advisors were not only aware of the term "managerialism" but saw it as a laudable rather than a derogatory term. It states:

- *Before 1984 (dominated by bureaucracy and process), it took 6 weeks to get an initial benefit payment.*
- *Now (with the development of managerialism and an output focus), assessment and payment are much quicker, and emergency benefits for food and shelter are available on the day (p. 3). Parenthesis in original.*

Of all the seeds for New Zealand's adoption of managerialism sown in the reforming legislation of the Labor government (1984–1990), the most important legislation was the State-owned Enterprises Act (1986), the State Sector Act (1988), and the Public Finance Act (1989). No matter how necessary the reforms were seen to be; one international commentator has written the New Zealand government was deluding itself that the reforms would be universally viewed in a positive light (Pollitt 2000, p. 185). The power of legitimacy and identity influenced by Treasury and the Business Round table led the government to believe their reforms were desirable, supported, and the only possible way to act.

The belief held by individual managers that they were acting in accordance with accepted business definitions and the normative isomorphic identification with the institutional norms of the private sector manager was another strong influence in New Zealand. For example, Considine and Painter (1997), Enteman (1993), Pollitt (2000), and Gregory (1999) provide a contemporaneous critique of the concept of managerialism and the adoption by government actors of the language and techniques associated with it. Managerialism is seen as a politically rationalist and therefore "correct" approach to public business organization in that emotions should not be part of the business equation. It has been argued that from time to time public servants undertake activities that resemble those of a private company, then that activity must be organized in accordance with accepted business practice. The New Zealand Treasury supported this line of reasoning, urging that "corporatisation would achieve considerable efficiency gains" (1987, p. 119). This advice from Treasury was heeded, and the legislation to enable the privatization and commercialization of activities previously undertaken by government was passed through Parliament.

However, there was some contemporaneous dissent, professor Michael Peters of Auckland University, in a 2001 article, was especially critical of these developments. He suggested that New Zealand had not only successfully enacted neo-liberalist policy but restructured the way New Zealand governments relate to the public domain. In Peters' opinion, New Zealand was close to an almost religious devotion to the market concept. Such an emphasis, he suggested, has elevated the market from a contrived to a natural construct. In other words, the market-driven approach as practiced in New Zealand is now almost beyond question. In New Zealand, government policy has placed such importance on privatization of services and the free-market paradigm associated with it that the rationalist private sector model is the only business model to be considered within a business framework. Peters argues that these policies had the effect of placing the state, democracy, and the community in a subservient role with respect to the market. Finally, Peters views the free-market paradigm expounded by the government, and the free trade philosophy of the WTO, IMF, and World Bank, as evidence that New Zealand has abandoned its historical ties to the community and embraced the market (Peters 2001, p. 209). It is this paradigm of free trade and market forces that has allowed the structures of managerialism to find legitimacy with managers government business operations.

The major proponents of this prescriptive path believed that a public business is no different from a private business and therefore needs the same sort of management structure (Osborne and Gaebler 1993; Pinchot 1985; Prebble 1996; Schneider and Teske 1992). This argument, however, fails to take into account the cultural differences that exist between a publicly owned business organization and a private organization. In addition, the argument does not accommodate the way power is exerted within a public service environment, or the individual motivators for success that influence a public manager as opposed to a private businessperson (Schneider and Teske 1992).

This theoretical model has involved an almost rigid adherence to the principles of market-type mechanisms outlined above (Peters 2001; Schick 1996; Wilson and Doig 2000). Central to the philosophy of government reform in New Zealand was the importance placed on the need for government agencies to be financially and economically accountable. The authors of the Treasury briefing paper Government Management, essentially the briefing paper for the incoming Labor government, envisaged that the reforms be extended even into "noncommercial areas" (New Zealand Treasury Staff 1987) of government and local government activity. This aspect of accountability is met through contractual arrangements which clearly and specifically lay down outputs against which the particular operation will be measured. For example, the State-Owned Enterprises Act (1986) Part1 s 4 reads in part: "The principal objective of every State enterprise shall be to operate as a successful business and to this end be as profitable and efficient as comparable businesses that are not owned by the Crown." The State Sector Act (1988) s 51(6) reinforces these managerialist expectations by requiring senior management to "promote efficiency" as part of their duties. Managers need only refer to the Public Finance Act (1989) for guidance as to how efficiency should be interpreted. Further, even when conducting noncommercial activities, the Act requires the enterprise to exact a fee from the receiver of the goods or services (State-owned Enterprises Act (1986) S7).

Central government's emphasis on financial efficiency is overt in the objectives of the Public Finance Act (1989):

> An Act to amend the law governing the use of public financial resources and to that end to (a) Provide a framework for Parliamentary scrutiny of the Government's management of the Crown's assets and liabilities, including expenditure proposals; and (b) Establish lines of responsibility for the use of public financial resources; and (c) Establish financial management incentives to encourage effective and efficient use of financial resources in departments and [Crown entities]; and (d) Specify the minimum financial reporting obligations of the Crown, departments, and [Crown entities]; and e) Safeguard public assets by providing statutory authority and control for the raising of loans, issuing of securities, giving of guarantees, operation of bank accounts, and investment of funds.

Such demands have an inevitable effect on those charged with managing services offered to the public. The penetration of market-driven notions within both central and local government can be demonstrated by a document published by the Hillary

Commission for Sport and Recreation in 1994. Rather than suggest ways in which the public could benefit from improved access to sporting and cultural opportunities, the Hillary Commission for Sport, in their desire to be effective and efficient, attempted to entrench the ideals of managerialism. For example, the Commission advocated user charges for leisure services provided by local government, going as far as reporting that "if people want it [the service] then they will pay for it" (1994, p. 7) and "by introducing user charges, lower income groups have the option of whether they wish to use a service instead of paying for a service they don't use"(1994, p. 10).

The advocacy of such measures revealed the making for institutional identity. Managers working within a public organization were openly advocating economic efficiency in line with the institutional management norms of the private sector. This should have raised questions regarding the very existence of the Hillary Commission. Influenced by the neo-liberal paradigm, an organization designed to encourage leisure activity, motivated by legitimating elements, looked to the market for reasons for nonparticipation rather than for the cause of low participation. Such efforts would have been applauded by the Business Roundtable which in 1995 advocated blanket user charges on library services on the basis that only a small section of the community utilized these facilities (Zohrab et al. 1995). The Hillary Commission's attitude was indicative of how deeply entrenched the rationalist paradigm had become within the service provision arm of local government in a very short time. In 1994, the acceptance of such neo-liberal practices appeared to be strong.

It is unlikely that the Hillary Commission would have acted in this way if it were not for the passing of the Public Finance Act (1989), which had a major impact on the development of business operations in government. Through the introduction of the Act, the government sought to ensure that government departments, and other Crown agencies, adopted a financial emphasis in their reporting. This is made clear in Section 34(A) of the Act. In so doing, the government attempted to hold government departments to the same "generally accepted accounting practices" (Public Finance Act, (1989)) as private business operations. The government's action could be interpreted as looking beyond a financial return; it was also interested in ensuring that the organizational structures and management procedures of public companies and departments were a mirror of their counterparts in private industry. For example, by 1994 the requirement for government-owned operations, be they local or central government concerns, to be run as successful businesses, introduced in the State Owned Enterprise Act 1986, had also been incorporated into the Local Government Act 1974, the Port Companies Act 1988, the Energy Companies Act 1993, the Housing Restructuring Act 1992, Southland Electricity Act 1993, and the Crown Research Act 1992 (Petrey 1994). Such an attitude failed to recognize that government business operations were, and in some cases still are, the sole provider of social services or, indeed, of essential goods and services such as water reticulation. Historically, it had never been envisaged that in New Zealand such entities would need to make profits.

Impact of Political Reforms on the Practice of Management in New Zealand

The fourth Labor Government, elected in 1984, made a philosophical change to the management and the provision of government services. This philosophical change was implemented when Labor was re-elected in 1987 and was also adopted and further extended by the National government of Prime Minister Bolger and Finance Minister Richardson, elected in 1990. Presented below are examples of Government actions, which resulted in change to the practice of management throughout the entire country. First is the corporatization of government business units into standalone State Owned Enterprises (SOEs) and their subsequent conversion to limited liability companies, which could be sold as trade sales or listed on the New Zealand Stock Exchange (NZX). The remainder of this section provides three examples of how this change in government philosophy played out, with the sale of Air NZ, the sale of the telephone section of the NZ Post Office, and lastly the supply of water in the Auckland region by local councils. We demonstrate that although privatization/corporatization provided funds for the State it was also about it was more about government philosophy.

In the nineteenth century, evidence of a countries success was the provision of an efficient rail service, while in the twentieth century it was a national airline. In the New Zealand, the flag bearer was Air New Zealand (Air NZ). Air NZ developed in 1965 out of Tasman Empire Airways Ltd. (TEAL) a trans-Tasman flying boat service and in 1978 New Zealand's domestic carrier was merged into Air NZ. One-year later tragedy struck Air NZ and the entire country when one of its DC1 0 s on a sightseeing flight over Antarctica crashed on Mt. Erebus with the loss of 257 lives. In April 1989, while still a government owned airline, Air NZ was sold for $660 million to Brierley Investment, Qantas, Japan Airlines, and American Airlines. The first public sale of Air New Zealand (AIR) was an offering of 30% (5% reserved for airline staff and 25% for the NZ public) of the shares in October 1989 at a price of $2.40 (Reuters News Official 1989).

In 1996 Air New Zealand purchased Ansett Australia, for A$475 million, and moved to full ownership of Ansett in February 2000, when they purchased the remainder from News Corporation Ltd. for A$580 million. Ansett was solely a domestic carrier and the board of Air NZ saw opportunities to enhance Air NZ's trans-Tasman service by linking into the Australian domestic network. As well as these synergies, they also expected to be able to increase profitability at Ansett by applying some of their experience in running a profitable Air NZ. This did not happen and in September 2001 Ansett into administration on behalf of its creditors. In NZ, the media lay blame for the collapse at the feet of the Australian unions who were considerably more powerful and militant than NZ unions. In Australia, the consequence of bad management by Air NZ, Leiper (2002) in his analysis of the Ansett collapse, identifies the original decision of the Board of Air NZ to purchase Ansett as being flawed and compounded by paying too much for what was in reality a struggling domestic airline. A decision repeated in 2000 when they again paid too much to achieve complete ownership, a classic case of hubris by an overconfident board. Regardless of the causes of the Ansett collapse, Air NZ was in breach of its existing borrowing covenants and required a substantial capital injection by the New Zealand Government if it was not suffer the same fate as its subsidiary Ansett.

The privatization of the Bank of New Zealand (BNZ) is interesting because its history is markedly different from other assets privatized in New Zealand. In 1861 the BNZ was established, and although it is banker for the government.

It was privately owned by three well-respected New Zealanders, politicians Thomas Henderson and Thomas Russell as well as the "Father of Auckland" John Logan Campbell. The driver for the BNZ was to compete against the foreign owned Union Bank and Bank of New South Wales. The BNZ's early history was as turbulent as the countries were with the NZ wars and the boom and bust cycles of gold mining and property speculation. The BNZ made a number of bad loans in the 1880s requiring them to sell down their London investments and build up cash reserves while transferring £125,000 from reserves to a debt suspension account in anticipation of loan write-downs (Colgate et al. 1990). Despite assurances by directors in June 1894 all was well, they were forced to inform the Colonial Treasure the bank would be forced to close if it did not receive state support (Colgate et al. 1990). The Bank of New Zealand Act 1895 allowed the BNZ to write off £900,000 of capital and £450,000 of the proceeds of the previous call. The Government then subscribed for £500,000 of six year 3.5% preference shares, while shareholders were required to subscribe anther £3/6/8 per share, bearing 5% interest. The government then became a BNZ shareholder in 1904 before a Labor Government nationalized the bank in 1945 (Wilson 2010).

The fourth Labor Government in 1987 allowed the bank to recapitalize itself by way of an issue of 15% equity capital and in 1988 the government announced it would sell all its shares. However, this was delayed when a conflict of interest was revealed, with preferred bidder Brierley Investments, as Ron Brierley was on the BNZ board at the time (Wilson 2010). In 1989 a further rights issue was made and the Government not wanting to invest further funds in the BNZ gave their rights to Capital Markets Ltd., after which the resulting share structure was the Government 51.6%, Capital Markets 30.5%, and the public 19.9% (Singleton et al. 2006). Despite everyone believing capital the bank was adequately capitalized the incoming, National Government was required to deal with problems from the bank's aggressive lending in Australia. After the government provided $620 million and Capital markets provided $100 million, the government sold its remaining shares in the BNZ to National Australia Bank (Wilson 2010).

A clear indication the neoliberal business model did not always pay dividends is given by the privatizations of Air NZ and the BNZ. Both State Owned Enterprises faced immanent collapse after the Government allowed them free reign. Both required substantial additional funding after being cut lose from Government control. It is not possible to say if under Government control, they would have required this additional funding, but clearly both pursued high-risk business strategies after privatization. The privatization push for efficiency and introduction of managerialism was not limited to central government operations. It was also seen most markedly in local government with privatization program extended to local body business units, such electricity lines companies, ports, and airports, enabled by amendments to the Local Government Act (1974), which established Local Authority Trading Enterprises (LATE), now known as a Council Controlled Organisations. A LATE, like an SOE, was required to make a profit and follow recognized business practice. In addition the amendments, mentioned below, organized the employment relationship for local government employees. This followed the separation of operations and policy which was in vogue in central government at the time.

Through the Local Government Amendment Act (1989, No 1) and the Local Government Amendment Act (1989, No2), local government business operations such as water, power, waste collection were encouraged to be set up along the same lines as a State Owned Enterprise. In essence these reforms separated the "rowing from steering, and established new administrative structures. Like the SOE they were reorganized" so that the general manager of the individual units became a CEO and in turn the CEO was the employer for the council workers who were employed within the LATE. These organizations (LATE) were required under the legislation to make a profit. Richard Prebble ex Labour Minister of Transport, writing about reforming the local government businesses retells a story ". . . I've already put in place some reforms from when I was Minister of Transport that is going to force the ARA [Auckland Regional Authority] to be more efficient" (Prebble 1996, p. 46). A legacy of the 1984–1990 reforms is the Land Transport Amendment Act 2013, which makes it clear that local authorities can only provide public transport under contract. Simply put, they must use private sector operators to provide public transport.

An example of the way these organizations changed their management practice can be seen in the story of Water Care. This bulk and waste-water operator owned by the Auckland Regional Council and supplier of water to Metrowater, the water reticulation organization for Auckland City and wholly owned by Auckland City. Water Care embodies both the institutional language and attitude of a private company. Managerialist phraseology is peppered throughout its 2002 Asset Management Plan – expressions that may show identification with the wider institution of the management profession but mean little to customers. Water Care assures the people of Auckland that it will "ensure negotiated customer service levels are achieved at minimum prices following rigorous risk assessment processes which meet best industry practice" (Water Care Staff 2002). The company's "customers" are Auckland citizens who have no alternative supplier. The use of the term shows how Water Care's managers see the ratepayers – not as owners in a collective sense, but as individual purchasers of a product.

This attitude is in contrast to the stance of the Auckland Regional Authority (ARA), which performed Water Care's duties prior to the establishment of the Water Care, as reflected in its (ARA) annual reports. In the annual report for 1982, for example, the chairman noted "that Auckland simply could not work adequately as a metropolitan area . . . without the basic services the Authority provides" (Auckland Regional Authority Staff 1982). On the question of bulk water delivery, the annual report for 1982 notes only that bulk water is delivered to local authorities connected to the ARA dams. There is no mention of customers or consumers. It is not until 1987 that the annual reports specifically mention "consumers" in regard to water, and even then it is only the recipient councils that are termed as such. However, by 1991 the Auckland Regional Authority was referring to both the councils it supplied, and the citizens using the water, as "customers." In addition, in 1991 the ARA first used the term "market," registering its intent to conduct "market surveys" of its newly perceived customers (Auckland Regional Authority Staff 1990–1991, pp. 67–68). Finally, in 2002, in a flourish of managerialist language, Water Care concludes its 2002 Asset Management Plan with the intent of producing "A triple bottom line Annual Sustainable Development report as defined by the Global Reporting Initiative." (p. 55). Since this document is found on Water Care's web site, it seems to have been intended for external, as well as internal, consumption. That Water Care management believed such a sentence was meaningful to the citizens of Auckland demonstrates the distance between the two groups. More revealingly, the use of accepted business language shows it to be an open appeal for legitimization from the external management profession.

In presenting the above three examples of privatization, we have illustrated how the reforms initiated in 1984 changed not only the employment relationship of public servants but also the way government managers related to their jobs. The above illustrations also demonstrate how the use of "management" language and acceptance of private sector management technique became seen as the only way to conduct "business." The neoliberal paradigm embraced by the reforms and subsequent governments has led to establishment of a New Zealand paradigm of management based on rationality and efficiency.

Conclusion

The Treasury authors of Government Management (1987) suggested that not only are markets efficient and ensure maximization (p. 15), but that they also provide a check on wastage (p. 38). Such views – that appear to be widely accepted within the New Zealand business community – are again indicative of how deeply entrenched in the New Zealand economic psyche is the notion that private sector models of business can be applied to public organizations without modification.

The move towards the market-type mechanism for government operations was seen as a way to encourage innovation and entrepreneurship by holding managers and government controllers accountable for outputs (Treasury, 1987; Public Finance Act, 1989; State-owned Enterprises Act 1986). The manager in turn is prompted by career imperatives – job security – to either adopt or adapt to the new regime, thus ensuring that the manager will see that following the neo-liberal pathway is in his or her best interests. It was argued that, in order to achieve the desired change in direction, new management personnel were needed (Prebble 1996, pp. 75–78) managers who could lead by example, who could operate within the rationalist mold and help form a new culture to replace the "staid" business organizations of both local and central government. In response, there was increased recruitment of private sector management into the upper echelons of both central and local government organizations (Boston et al. 1996).

The introduction of private sector managers did not see an increase in business innovation within either central or local government business operations. For example, Gregory (1999) quotes a 1997 report which explained the lack of internal innovation within government departments as a reaction to the need for managers to fulfill output obligations. By embracing economic accountability as a management tool, the manager is in danger of becoming focused on the current objective and is less inclined to consider the long-term holistic implications of his or her actions lest they interfere with meeting the agreed output . It would appear that the reforms themselves, rather than the activities of the management within them, were seen as the prime example of innovation. Considine and Lewis (1999) have suggested that the application of management theory within the entities created by the reforms has placed too much emphasis on accountability and monitoring of outputs. This has resulted in a lack of entrepreneurial innovation and, in practice, reproducing traditional features of private-sector management which, in the long term, may not be the best or beneficial form of management. Nevertheless in New Zealand, thanks in no small part to the Labor government of 1984–1990 it is the form of management that became entrenched within both the public and private sector.

Cross-References

Governmentality and the Chinese Workers in China's Contemporary Thought Management System
In Search of the Traces of the History of Management in Latin America, 1870–2020
Indian Management (?): A Modernization Experiment
Introduction: Management Heterogeneity in Asia
Management History in the Modern World: An Overview
Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter
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Management in Australia – The Case of Australia's Wealthiest Valley: The Hunter

63

Bradley Bowden

Contents

Abstract

The Hunter Valley, a 287-mile long dale to the north of Sydney, encapsulates the peculiarities and problems of Australian management. In an overwhelmingly urban society, the prosperity of the Hunter – as is the case with the wider society – rests on a resource-based economy. In a society characterized by a strongly democratic and egalitarian ethos, the region's prosperity has been built on a small number of wealthy families and firms. In a society increasingly concerned with the problems of climate change, the wealth of the Hunter still rests on the exploitation of fossil fuels, resources used for both export and the energy-intensive smelting of aluminum. In microcosm, therefore, the Hunter provides insight into both the history of management in Australia and its profound contemporary problems. The paradoxes of the Hunter also speak to the very purpose of modern management. Is the purpose of management still primarily associated with wealth creation and the efficient allocation of resources? Or is it the case that environmental concerns should be given pride of place? If the latter is accepted, does this necessarily entail the destruction of the resource-based industries upon which not only the prosperity of the Hunter but of Australia more generally has been premised?

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Introduction

Australia has always been a land of paradoxes. Boasting a land area almost exactly the same as that of the continental United States, its population (25.55 million) in January 2019 was only a third larger than that of the Netherlands. One of the world's most urbanized societies, with more than two-thirds of the population living in the nation's mainland capitals (Melbourne, Sydney, Brisbane, Adelaide, Perth), the society's extraordinary wealth has always rested on the highly productive export-driven industries in the interior. In the nineteenth century, and in the first half of the twentieth century, the export of wool was the key to prosperity, it being often said that "Australia was a nation that road on the sheep's back." In 1886–1890, for example, Australia's pastoral sector was responsible for 12.8% of national Gross Domestic Product (GDP). By comparison, the manufacturing and agricultural sectors provided only 11.8% and 5.8% of GDP, respectively (Butlin 1964/1972: 22). In the twenty-first century, it is mineral exports that underpin Australian prosperity. In 2018, of the top ten exports by value – which in order were coal (AUD$66.9 billion), iron (AUD$63.6 billion), natural gas (AUD$43.3 billion), education (AUD$35.2 billion), tourism (AUD$22.2 billion), gold (AUD$19.2 billion), aluminum and alumina (AUD$11.3 billion), beef (AUD$8.7 billion), oil ($8.1 billion), and copper (AUD$6 billion) – six were minerals (Department of Foreign Affairs and Trade 2019). A seventh, aluminum and alumina, was a de facto mineral, involving as it does the processing of bauxite with the benefit of Australia's (once) cheap electricity, the product of the nation's plentiful coal supplies.

If Australia's wealth has always rested on resource-based industries in the interior, one does not necessarily have to travel that far from the coast to find evidence of this highly productive economy. In Queensland, my native state, the coalfields of the Bowen Basin – which supply the bulk of the world's seaborne trade in metallurgical or coking coal – are found within a three to four hour drive of the coast. In the Hunter Valley, some 110 miles (180 km) to the north of the great metropolis of Sydney, Australia's principal source of thermal coal is located only 43 miles (70 km) upstream from the port city of Newcastle. From the vast open-cut pits and underground mines of the central and lower Hunter – discretely hidden from passing motorist view by raised embankments – the large mining companies who dominate production enjoy a huge transport advantage over international competitors, given the short flat rail journey to Newcastle. Accordingly, in 2018 Newcastle was the world's busiest and most prosperous coal port, exporting 158.6 million tons of coal worth $23.6 billion to the coal-fired power-stations of East Asia (Kirkwood 2019). For generations of Hunter Valley residents, the bountiful wealth of the region's coalfields manifested itself not only in mining jobs but also in a large heavy-manufacturing sector. Opened in 1915, BHP's Newcastle steelworks provided 5,739 direct jobs by 1921 (Mauldon 1927: 87). Although employment in the steelworks was in decline by the 1970s, this decline was offset by new industries associated with coal-fired power generation. Between 1963 and 1993 the state-owned Electricity Commission built six coal-fired power-stations: Vales Point A, Vales Point B, Munmorah, Bayswater, Liddell, Eraring (Longworth 1968: 2). By 2001, the Hunter's power stations provided 80% of the electricity needed by New South Wales (NSW), Australia's most populous state. In the footsteps of the power-stations followed new aluminum smelters at Kurri Kurri (lower Hunter) and Tomago (Newcastle) that were soon responsible for 40% of Australia's aluminum production (Bowden 2006a: 50).

As with the Australian interior more generally, the resource-based riches of the Hunter Valley have also long been associated with the pastoral sector and agriculture. In the early-to-mid-nineteenth century the fact that the Hunter Valley was navigable upstream to Morpeth, adjacent to regional centers of Maitland and East Maitland, made the well-watered pastures and fields of the lower Hunter the principal source of farm produce for Sydney's growing population, a steam-powered ship able to make the journey from Morpeth to Sydney in 12 h. As a local history of Maitland records, this "cost-advantage made the demand for Hunter Valley produce so strong that it practically eliminated any competition" (Maitland City Council 1983: 16). By the 1860s, the lower Hunter also boasted a wine industry, an area of endeavor for which the region is now famed. Indeed, if one goes to the Tourism Australia (2019) website for the Hunter region, one would scarcely understand that the Hunter was responsible for any other activity other than wine production, the subtitle for the Hunter webpage being: *Give your tastebuds a serious thrill in Australia's oldest wine growing region*. Although most of the wine grown in the Hunter today comes from irrigated fields in the upper Hunter, where product is destined for cheap bulk wine, the old-established vines of the lower Hunter abutting the Wollemi forest are in a different class. Along a ridge of limestone and clay not dissimilar to Burgundy's famed Cote d'Or, iconic family businesses such as Tyrrell's and Mount Pleasant produce sublime Shiraz and Semillon. Whereas agriculture, wine-growing, and dairying dominated in the lower Hunter – fields often abutting the district's coal mines – in the Hunter's middle and upper reaches pastoralism has long prevailed, a correspondent for the *Pastoral Review* recording in 1899 that nowhere had he seen "such country, such good water, such all-round stock, such management and such method" (cited Eldred-Grigg 1978: 9). Prime sheep-raising country in the nineteenth and early twentieth centuries, the upper Hunter is today home to many of the world's leading horse-breeding estates, businesses often owned by Gulf sheikhs and princelings. In summing up the global status of the upper Hunter, the website of the Hunter Thoroughbred Breeders Association (2019a) declares:

> The Upper Hunter country is home to more than 200 thoroughbred stud businesses and the centre of Australia's multi-billion dollar thoroughbred breeding industry . . . The origins of the Hunter Valley's stud industry date back more than 200 years, and it is the second largest concentration of thoroughbred studs in the world – alongside Kentucky in the USA.

Without doubt the richest and most historically significant valley in the Australian experience, the Hunter's capacity to provide insight into wider national problems of managerial endeavor and economic development has long been appreciated. Writing in 1927, the Australian economic historian F. R. E. Mauldon (1927: 158) reflected that although the "Valley of the Hunter is but a small portion of the whole national field . . . it can be claimed to represent almost a microcosm of national industry." In large part, the Hunter's peculiar research value is found in three interrelated factors: its comparatively small and well-defined dimensions, the diversity of activities that have occurred within its geographical borders, and the tensions and deep social divisions that have resulted from the exploitation of the region's natural bounty.

Running in a northwest direction, the 287 mile (462 km) long valley of the Hunter is easily escaped at its northwest extremity, where the low peaks of the Liverpool Ranges give way to the deep volcanic soils of the Liverpool Plains and the high pastureland of the New England Tableland. By comparison, passage to Sydney and the south is restricted by the sandstone fastness of the Wollemi forest and the expanses of Lake Macquarie, an outcome that forced road and rail routes to follow either the sand isthmus that lay between the lake and the Pacific Ocean or the sandy western shores of Lake Macquarie. To the north a similar situation prevailed, the forested ridges of the Barrington Tops forcing road and rail traffic along a narrow coastal corridor. Within the Valley itself, three distinct geographical and economic zones (Newcastle, lower Hunter, and upper Hunter) can be discerned. Around the mouth of the Hunter, the land was, in the words of an early clerical visitor, the Rev. John Dunmore Lang (1852: 190–191), "sterile and uninteresting," a place of "sandhills and swamps" that ruled out agriculture. In this region, in what became Newcastle, surface outcroppings of coal made it apparent that wealth was, as Lang (1852: 191) advised, best "obtained from underground." Initially, this swampy coastal area was bypassed by would-be settlers, intent on disembarking at Morpeth, 21 miles (34 km) upstream, a town that acted as gateway to the lush lands of the lower Hunter and its adjacent tributaries, the Williams and the Patterson. Dominated by large estates and their tenant farmers, by the 1850s the lower Hunter was responsible for one-third of NSW's agricultural produce (Hirst 1988: 89). Almost purely rural in orientation in 1900, the lower Hunter was transformed by the discovery of the immeasurable riches of the Greta coal seams. Far thicker and deeper than those exploited at Newcastle, the mining of the Greta seams caused Cessnock – located on the doorstep of the Hunter's historic vineyards – to supplant Newcastle as Australia's leading coalmining locality. Boasting only 150 people in 1903, by 1933 Cessnock was NSW's third largest city. Totally given over to the pursuit of coal, Cessnock was, as a student of the town's sociology observed in 1945, "an isolated, parochial community . . . It lives apart from the rest of Australia, thinking little of problems beyond mining" (Walker 1945: 133). As one moved further up the Hunter towards Singleton, Muswellbrook, and, above all, Scone, one transitioned to land that was – and still is – pastoral country *par excellence*. With half the rainfall of the lower Hunter, and ideally suited for the raising of sheep and horses, the upper Hunter has long been the domain of Australia's landed gentry, sheep-lords boasting vast estates.

In 1885, 88 members of this social elite, representing 1.4% of Hunter Valley's landholders, owned 54% of the useable land, 73% of the regional sheep flock, and 35% of the Hunter's cattle herd (Eldred-Grigg 1978: 38). In describing the nineteenth-century existence of one of the great pastoral families of the upper Hunter, the Dangar's, Manning Clark (1973a: 249) describes how they "spent the summer on the estate, and went down to Sydney in the autumn to sell the wool clip, and enjoy race week, the agricultural show, the ball for the Queen's birthday, and dinners at Government House." By the late 1960s, however, to the chagrin of the sheep-lords and horse-breeders, historic estates found themselves living cheek-by-jowl with enormous open-cut coal pits as miners chased seams up the Valley in the direction of Singleton and Muswellbrook.

In pursuing entrepreneurial and managerial success in the Hunter (as elsewhere in Australia), there has always been one golden rule: arrive with an existing fortune, wealth that is fortified by well-established political connections. If one is unable to follow this golden rule then one must pursue with all vigor a subsidiary rule: to acquire a fortune as quickly as one can, transitioning from the ranks of small business to large enterprise before one is ruined by a well-established and well-connected competitor.

Proof of the golden rule was evident from the dawn of European settlement in the Hunter. In 1822 the military governor of NSW instructed the government's Assistant Surveyor, Henry Dangar, to divide pastoral land into 1 square mile "selections," which were then allocated to men of financial substance, many of whom were military officers or government officials. Under the terms of the land grants, pastoralists were offered a 100 acres of land for each convict they offered to support, a solution that gave them not only land but also an unpaid labor force. In 1825, during the first year of the scheme's operation, some 20 well-connected individuals secured vast estates along the upper reaches of the Hunter (Wood 1972: 20–21, 49). Among the beneficiaries of this government largess was the Assistant Surveyor himself, who by 1842 had six vast estates in the Hunter and its environs. Dangar's brothers also obtained substantial properties, including the main hotels in both Muswellbrook and Scone. The Dangar brothers also controlled a string a stores along the Valley as well as a distillery that enabled them to sell alcohol to their workers and others at inflated prices (Clark 1973a: 249–250). In 1848, the Dangar brothers also opened the Newcastle Meat Preserving works in Newcastle, a business that enabled them to export their excess stock in tinned form. Once again political connections proved important as the British Admiralty stepped in to buy their stock (Turner 1980: 34). Even more obvious proof of the golden rule is found in the experiences of the Australian Agricultural Company (AA Co.). Granted vast estates to the Hunter Valley's immediate north, the AA Co. included among its founding shareholders 28 members of the British parliament, the Governor of the Bank of England, and a number of directors from the British East India Company. In 1828, the AA Co. was also granted a 500 acre coal lease in Newcastle as well as "such a proportion of the frontage to the [river] water" as the company "may liberally require" (Twiss 1828/1982: 133). The company was also promised a "monopoly . . . for the next thirty-one years" (Twiss 1828/1982: 134). Although the AA Co.'s monopoly was ended prematurely in 1847, the company remained the Hunter's largest coal producer throughout the nineteenth century (Turner 1982). In manufacturing, proof of the golden rule is found in the history of BHP's steel-works. An incorporated company that made its initial fortune mining silver and lead at Broken Hill as the Broken Hill Proprietary Co. by the early twentieth century BHP had also acquired a mountain of iron ore at Iron Knob on the South Australian coast. Wishing to turn this latter resource into manufactured product, BHP benefited from an Act of the NSW Parliament in 1912, which provided the company with land grants and a range of concessions and subsidies (Hughes 1964: 63–67). Early profits were guaranteed by the sale of the bulk of its output to Australia's government-owned railways at inflated prices (Mauldon 1927: 91). When BHP's profitability was threatened by international competition the federal government came to the rescue, imposing prohibitive tariffs on steel imports in both the early 1920s and early 1930s. In a similar fashion, the establishment in the 1970s of a large-scale aluminum smelting industry, as a local journalist remarked, "just did not happen" (Haslam 1976: 8). Rather it followed the time-honored Valley tradition, in which various self-interested parties – led by the Miners Federation, intent on finding more customers for the region's coal-fired power stations – sought and obtained a range of government grants and subsidies, (Haslam 1976). Under the interventionist policies of the Wran Labor government in NSW (1976–1986), the historic mining and manufacturing sectors of the Hunter Valley received a particular boost. Splurging money on new coal loaders, railroad infrastructure, and subsidies for the aluminum industry, Wran spoke of transforming the Hunter into an Australian version of Germany's Ruhr Valley (Steketee and Cockburn 1986: 202).

If an overlap of economic and political power underpinned the operation of the golden rule in the Hunter, it also contributed to a constant undercurrent of social divisions that periodically erupted into open conflict. From the outset, the displacement of the original Aboriginal population involved acts of unspeakable violence that were either ignored or condoned by officialdom. When 11 shepherds were tried for the massacre of 31 Aboriginal men, women, and children on a Dangar estate outside the Hunter, there was an outpouring of public anger, directed not against the perpetrators but the officials who brought them to trial, an anger that intensified when seven of the accused were subsequently hanged (Clark 1973b: 107). By the 1850s, conflict revolved around land reform as – following the granting of self-government to NSW in 1856 – the tenant farmers of the lower Hunter elected "liberal" candidates to parliament so as to "unlock" the land. While the passage of land reform *did* secure freehold ownership for the small farmers of the lower Hunter, it never threatened the local gentry's control of the best land. Of the 530 rural landowners who lived between Maitland and Newcastle in 1885, 429 owned less than 100 acres. By contrast, 21 occupied grand estates that boasted more than 1000 acres (NSW Parliament 1887: 612–613). A more constant, and more violent, pattern of relations characterized the Hunter's coalfields. Living in isolated communities adjacent to the mines at which they worked, the coal miners of the Hunter were among Australia's fiercest advocates of trade unionism. Outsiders unwilling to be bound by community values seldom survived long. Recounting his experiences as a strike-breaker in 1879, a Mr. H. V. Higgs (1880: 778) testified before a parliamentary inquiry that on arrival at the mine-site he and his fellow strike-breakers were met by "hundreds of miners and their wives . . .Some (young men chiefly) had guns, others pistols." After being advised by the miners that "if we dared to sleep in the cottages they would burn them over our heads, or blow them up," Mr. Higgs wisely opted to seek employment elsewhere. More tragic outcomes ensued in the "Great Lockout" of 1929–1930, when police at Cessnock's Rothbury mine fired into a crowd of miners, killing one, Norman Brown, and wounding 49 others, an event that remains the most violent experience in Australian labor relations history.

Prior to the 1970s the Hunter's pattern of social conflict invariably involved discord *within* the various sectors of the resource-based economy, disputation that saw small landholders at loggerheads with the landed gentry, miners in conflict with mine-owners, and steel-workers at odds with BHP management. Since the 1970s, however, a fundamentally new pattern of conflict has emerged, one that threatens the very survival of the Hunter's historic economy built around coal mining, power generation, and metal smelting, a conflict that sees adherents to the old economy at odds with a new educated, professional class for whom coal mining is an abomination, an existential threat to the environment.

Discord between the "old" and "new" economies was first heralded in the 1981 NSW election, when Dr. Levitch, a local dentist, attracted 8% of the vote running in declared opposition to new aluminum smelters (Bowden 2006a: 61). In the 1995 state election the Green Party candidate for Newcastle attracted 13.5% of the vote, a higher total than that found anywhere else in the state. At the same time the region witnessed a hollowing out of Newcastle's traditional "blue-collar" workforce. Whereas the Commonwealth census of 1971 recorded 20,923 factory workers in the Newcastle City area – a group that represented 34.6% of the workforce – by 2016 the city's 4,017 manufacturing employees made up only 5.5% of the labor force. By comparison, in the Newcastle City area in 2016 those employed in health care and social assistance made up 18.4% of the workforce. Another 10% were employed in education and training. A greater percentage were employed in public administration and defense (7%) than manufacturing (ABS 1971, 2019a). Outside Newcastle, amid the coal mines, coal-fired power-stations and vineyards of the wider Hunter Valley, members of the "old" economy also find themselves in a minority, albeit by significantly smaller margins (ABS 2019b). To believe, however, that the Hunter Valley is now a bastion of a new "knowledge economy" would be a total misnomer. According to the 2016 Australian census, the largest "occupational group" in the Newcastle area were those of working age who were *not* in the workforce: a cohort that comprised 43.5% of the working age population. Of those of working age, 49.5% had not completed high school (ABS 2019a). Support for the Green Party remains a distinctly minority persuasion, the party winning 15.6% of the vote in Newcastle in the May 2019 federal election (Australian Electoral Commission 2019a).

If the economic alternative to the old resource-based economy remains weak, outside Newcastle, in the wider stretches of the Hunter, the highly unionized workforce is nevertheless increasingly concerned that environmental activism threatens their livelihoods. Long a Labor Party stronghold, in the 2019 election almost a quarter of the Hunter electorate voted for the conservative and nationalistic Pauline Hanson's One Nation Party. Significantly, One Nation's candidate, Stuart Bonds, was not only a working miner but also a workplace official for Australia's most militant union: the Construction Forestry Mining & Energy Union (Australian Electoral Commission 2019b). Certainly, hostility to the "old" economy in general, and coal mining in particularly, is now evident on many fronts. Whereas the pastoral sector lived cheek-by-jowl with coal mining for more than a century, the Hunter Valley's landed gentry and horse-breeders now declare their interests to be incompatible with coal mining, the Hunter Thoroughbred Breeders Association (2019b) website advising readers "that open cut coal mining and international scale thoroughbred breeding operations cannot co-exist in close proximity." The future of coal mining in the Valley is now also imperiled by legal challenges to every mine extension. In the most significant development to date, in February 2019 the Chief Judge of the NSW Land and Environment Court, Brian Preston, dismissed an appeal by Gloucester Resources for a new mine to the immediate north of the Hunter Valley. In doing so, Preston (2019a: sections 440, 556, 436) ruled that to allow the new mine would be a breach of the Paris Climate Agreement, and that increased carbon emissions posed a direct threat to Australia in terms of flooding, heat-waves, bushfires, and increased rainfall.

The deep divisions that now characterize the Hunter reflect, in miniature, wider conflicts in not only Australia but the world as a whole as to the fundamental purpose of management. Is the prime purpose of management still that delineated by Dan Wren and Art Bedeian (1972/2017: 3), namely one of wealth creation "through the efficient allocation and utilization of human and material resources"? Or is it the case that environmental and social concerns should be given pride of place? If the latter is accepted, does this necessarily entail the destruction of the resource-based industries upon which not only the prosperity of the Hunter but of Australia more generally has long been premised? If the highly productive, export-driven industries in the Hunter's upper reaches are destroyed, then where is it that governments will find the taxable income to fund employment and services in education, health, and defense?

A Transplanted Society: The Hunter in the Nineteenth Century

In most societies, even in the New World, the state and its agencies emerge from the fundamental needs of civil society. Australia is an exception to this rule. For, as most readers would be aware, the first European settlement in Australia stemmed not from mercantile or agricultural endeavors, but rather from a penal colony, transplanted to Sydney Cove in January 1788. Accordingly, for the next half century and beyond, effective power rested with the British military governor and, more particularly, the officers and associates of the military detachments sent to protect the infant colony. As the so-called Rum Rebellion of 1808 demonstrated, when the military deposed the Governor, William Bligh (of mutiny on the Bounty fame), when he interfered with their illegal sale of alcohol, the interests of the "state" and the military elite overlapped but were never identical. The Governor, as an agent of the Crown, wanted to run the new settlement at minimal cost to the taxpayer. By contrast, the military elite and their associates saw opportunities for great riches, both through control of mercantile trade in and out of the colony, and in running various rural pursuits in the Sydney hinterland. Where the interests of the two overlapped was in the official belief that the cost of the penal colony could be much reduced by "assigning" convicts to private estates, whereby the private provider was granted land and convict labor in accordance with the number of convicts they opted to feed and clothe. What turned the elite's opportunistic pursuit of short-term wealth into the basis for long-term national prosperity was the realization that one particular endeavor – sheep-raising – was more profitable than any other. Significantly, this chance discovery corresponded to a pressing need in the British textile industry, where the production of woolen textiles was constrained by the limited volume of available fleece from Germany and Spain, the traditional sources of imported wool. As we have previously noted in ▶ Chap. 12, "Transformation: The First Global Economy, 1750–1914," and as indicated in Fig. 1, by 1845 Australia and New Zealand had become the principal source of British wool imports. For the next 45 years, the demand of the British mills appeared insatiable, an outcome that made wool the backbone of the Australian economy.

Historically, Australia's pastoral employers and managers have been ill-regarded by the wider society with its democratic and egalitarian ethos, readily dismissed as "bunyip aristocrats" and "squatters," a privileged elite who obtained their land by dubious means. Building a prosperous export business in the Australian interior – even in a comparatively well-watered region as the upper Hunter – was, however, not one for the faint hearted. Exposed to climatic perils (flood, drought, bush-fire, frost) and the vagaries of distant markets, the rewards often appeared disproportionate to the risks. The Australian economic historian, R. V. Jackson (1977: 56) calculates the cost of establishing a medium-sized pastoral property (20,000 sheep) in the 1840s at £7,932. Annual expenses would have amounted to £3,063 with the most expensive items being labor (£1,360), interest at 8% (£633), and freight and commissions (£433). The income from the sale of both wool and meat products would have amounted to £3,250, leaving a paltry profit of £187 – little more than what a skilled city tradesperson in Sydney would have earned.

As Fig. 1 indicates, as early as the 1840s Australasia was already the primary source of wool imports into Britain with the bulk of production subsequently coming from the three eastern Australian colonies – NSW, Victoria, and Queensland. Despite this success, however, the Australian pastoral sector remained in a primitive state prior to the 1860s. Many pastoralists lacked legal title to their land, simply squatting on land with their flocks – a practice that caused pastoralists to be derided, then as now, as "squatters." In managing their flocks, pastoralists also simply transplanted European practices to Australia. Invariably, sheep were overseen by a shepherd, who brought his small flock into the safety of a wooden hurdle at night, sleeping alongside them in a primitive hut. In describing pastoral life in the late 1840s, Roberts (1935: 347) observed that, "Even a prosperous squatter would be content to live in a collection of slab hovels, with hurdles moving from place to place as each

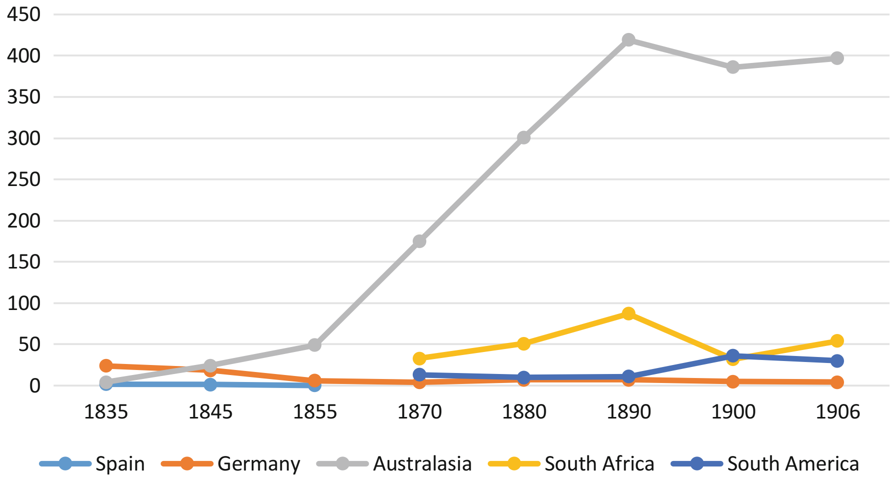

Fig. 1 British Wool Imports, 1835 – 1906 (in millions of lbs). (Sources: Clapham (1932/1967): 6; Ville (2005): Table 3; Knibbs 1909: 293)

became filthy with the inevitable heaps of sheep dung and sheep bones piled everywhere. It was a sordid, filthy existence." This "nomadic" existence, characterized by constant movement to new pasture, even characterized much of the upper Hunter, an area where freehold ownership was commonplace by the 1840s. As Eldred-Grigg (1978: 380) noted in his doctoral thesis on the Hunter's pastoral industry, most members of this well-to-do elite "were rather nomadic" with few owning their properties outright. Instead, estates were operated on large "overdrafts and mortgages," the Hunter's sheep-lords constantly up-sizing and down-sizing their holdings in accordance with the vagaries of their shifting fortunes.

In essence, the successful management of a nineteenth-century pastoral property in the upper Hunter (as elsewhere in Australia) required expertise in 4 distinct areas: finance and a capacity to borrow and service the debt; land and livestock acquisition; property and labor management; marketing and logistics. Significantly, each of these activities solicited a specialized response in form of mortgage brokers, stock and station agents, fencers and shearing contractors, and wool brokers.

In terms of finance, two types of institutions specialized in pastoral investment: commercial banks and mortgage finance houses. In both cases, lenders harnessed British investment funds, providing overdrafts and loans on mortgages of both land and livestock. In the case of pastoral mortgage brokers, funds were obtained from the sale of fixed-term debentures. Commercial banks, in contrast, obtained money from deposits. In both cases, funds were obtained through the use of agents, typically legal firms, who encouraged small-scale investors with assurances of high returns and capital safety. Certainly, the interest rates paid on both debentures and deposits – typically around 8% – were much higher than what could be obtained in Britain, where government consols (bonds) paid less than 3% by the 1880s (Butlin 1964/1972: 150–158). By the 1880s, 10 financial institutions (Australian Mortgage Land

& Finance Company, New Zealand Land & Mortgage Agency, South Australian Land Mortgage & Agency Co., Australasian Mortgage and Agency Co., British and Australasian Trust & Agency Co., Queensland Investment Land Mortgage & Agency Co., Australasian Agency & Banking Corporation, Trust and Agency Co., Dalgety & Co., Union Mortgage & Agency Co.) dominated pastoral finance alongside a number of commercial banks: the Bank of NSW, Commercial Banking Company of Sydney, Australian Joint Stock Bank, the Union Bank of Australia, and the Queensland National Bank. Together, these companies accounted for more than 90% of pastoral mortgages by the late 1880s (Butlin 1964/1972: 142). Over time these institutions gradually increased their exposure to the pastoral industry, undertaking a range of services that facilitated the sale and transport of the wool. As Simon Ville (2005) has shown, Australian-based companies went from firms that facilitated sales in the London market to enterprises that organized sales on their own behalf, often by-passing London and selling directly into European markets. By the early decades of the twentieth century, Ville (2005: 85) concludes, wool sales were dominated by the five leading pastoral agencies (Dalgety, New Zealand Loan and Mercantile Agency, Australian Mortgage Land & Finance, Elder Smith, Goldsborough Mort), companies that "were among the largest businesses operating in Australia." Mortgage brokers and other financial institutions also found themselves operating pastoral properties in their own right. Most commonly, this outcome resulted from "squatters" defaulting on their mortgages. The Trust and Agency Co., for example, was operating 10 vast properties in Queensland by 1891, estates that ran 1.2 million sheep. Alongside such reluctant owners, there also existed investment companies that were created for the specific purposes of stock-raising. In 1891, the largest of these was the English-owned Australian Pastoral Company, which ran 750,000 sheep across southern Queensland (Svensen 1989: 14, 24).

If the natural advantages of the upper Hunter – ease of access to permanent water, reliable rainfall, and vicinity to a deep-water port – meant that comparatively few of the Valley's pastoralists suffered the indignity of foreclosure, it was also the case that finance and trade was heavily reliant on another Australian financial institution: the stock and station agent. Typically based in the larger regional towns, the stock and station agent was responsible for a myriad of mercantile activities: the buying and selling of local livestock, the forwarding of wool at the behest of either the pastoralist or a wool broker, the sale of station supplies, general merchant activities. In the Hunter, many of these regional merchants were Jewish, the success of this group finding its most obvious expression in the Maitland-based firm of Cohen & Co. Owned by David Cohen and his cousin, Lewis Levy, Cohen & Co. was by far the most successful mercantile business in the lower Hunter in the late nineteenth century. Regularly returned as members of the NSW parliament between 1874 and 1885, the prestige and wealth of Cohen and Levy rivaled that of any of the Hunter's sheep-lords (Bowden 2006b: 56–57).

Initially, pastoralism in the Hunter as elsewhere in Australia was based on transplanted English ideas and techniques: the use of shepherds and sheep hurdles, a large permanent workforce, and a semi-feudal relationship between master and servant. From the 1860s, however, this situation was transformed as the sheep-lords utilized a revolutionary new invention: barbed wire. Realizing that sheep could be left unattended overnight in the mild Australian climate, the pastoralists' use of barbed wire allowed sheep to be confined within definable limits with few permanent workers. The scale of this pastoral endeavor can be ascertained from the NSW experience, where some 1.625 million miles (2.6 million kilometers) of fencing was built between the 1870s and the 1890s (Glover 2008: 32). Whereas a typical Hunter pastoral property may have employed 100 or more prior to fencing, after the installation of barbed wire the average estate employed only 10 permanent hands (Eldred-Grigg 1978: 288). As employment fell, sheep numbers soared, the national herd growing from 16 million in 1861 to 90 million in 1892 (Butlin 1964/1972: 62).

By dispensing with most of their permanent workforce, the typical sheep-lord inadvertently traded one problem for another. On the one hand, labor costs were dramatically reduced, turning the Australian wool industry into the most efficient in the world. On the other hand, the pastoral industry became reliant on a huge, seasonal labor force of shearers that typically had no bonds of loyalty to their employer. In most cases, pastoral employers outsourced their shearing to "gangers," who then put together a "gang" of shearers who moved from property to property, being paid according to the number of sheep that were shorn. Enjoying considerable bargaining power, by the late 1880s the shearing workforce provided the largest and most militant body of unionized workers in Australia. Created in 1886, the Amalgamated Shearers Union (ASU) claimed 20,000 members by 1890. Another 10,000 belonged to a separate and even more militant union: the Queensland Shearers Union (Merritt 1987: 136).

The ability of this unionized workforce to cripple the pastoral sector was amply demonstrated in the Queensland shearers' strike of 1891 and the national shearers' strike of 1894, disputes that remain arguably the most significant in Australian history. Unlike their counterparts elsewhere in Australia, however, the pastoralists of the upper Hunter largely avoided the labor relations problems experienced by the wider industry. Reason for this is found in the fact that Hunter pastoralists rarely hired from the professional shearing workforce for whom seasonal work was their main source of income. Instead, they recruited from the small "selectors" of the Valley. Typically, these selectors and their families operated small wheat and/or dairy farms, occupying marginal land that was seldom commercially viable. For this rural population, seasonal work on their local sheep-lord's estate often meant the difference between modest prosperity and bankruptcy. Accordingly, when the great strikes occurred the shearers of the Hunter Valley stood aside, proving to be "domestic and even docile" in their behavior (Eldred-Grigg 1978: 290). This is not to say that the small farmers of the upper Hunter had any great love for their wealthier neighbors. In the 1891 general election, they voted in favor of the Labor Party candidate, Thomas Williams, who also served as the full-time Secretary of the local branch of the ASU, rejecting the candidacy of two leading pastoralists in the process (Bowden 2006b: 60). As brave as they were in the secrecy of the ballot booth, however, the Hunter's small-scale farmers were proven cowards when it came to open industrial conflict.

Whereas the operation of the golden rule left the sheep-lords in largely untrammelled control of the upper Hunter, a more complex set of arrangements prevailed in Newcastle, where the growth of coal mining created both wealth and social division. As noted in the introduction to this chapter, from 1828 to 1847 the mining of coal in the Hunter was legally the preserve of the AA Co., a monopoly position that should have guaranteed the company a highly profitable business. The large expected profit, however, failed to materialize, even though AA Co. increased output from 5000 t in 1831 to 41,000 t in 1847 (Turner 1982: 33). Instead, during the first 22 years of operation, the total dividend paid to shareholders was 37%, a lower annual return than could have been obtained by investing in government bonds (Turner 1982: 51). The AA Co.'s fundamental problem – one which was to subsequently blight other Newcastle coal miners – was labor relations. When, for example, the AA Co. imported a large workforce of Welsh miners in the early 1840s, they immediately went on strike, the company's manager, Captain Phillip King, lamenting the fact that the Welsh had "brought with them a spirit of insubordination that will be difficult to subdue" (cited Turner 1982: 41). When the industry was thrown open to competition in 1847, both the economic potential and labor relations perils of the industry were brought into even clearer focus. Benefiting from the demand from both steam-powered shipping and railways, output rose from 41,000 t in 1847 to 3.5 million tons in 1900 (Turner 1982: 33, 100). Between 1861 and 1890, employment grew from 852 to 8,874 (Bowden 2006b: 57). Constantly, however, production and even firm survival was imperiled by industrial disputes waged by the Coal Miners Association of Newcastle and its successor, the Hunter District Miners Protective Association. In 1885, for example, the operations of Newcastle's second largest mining company, the Scottish Australian Mining Company, were crippled by a 6 month long dispute. At other mines, strikes of 1 to 2 months in duration were commonplace (Turner 1982: 104).

One effect of the labor relations difficulties that characterized Newcastle and its environs in the second half of the nineteenth-century was that it allowed space for local entrepreneurs, possessing modest capital, to transition from the ranks of small business to large enterprise in proof of the Hunter Valley's subsidiary rule.

The clearest proof of the Hunter's subsidiary rule is found in the success of the firm of A & J Brown, a partnership established by two brothers, Alexander and James Brown, during the 1850s. The key to the brothers' success was flexibility. At various times they were supporters of regulated employment, at other times they aggressively fought union influence and wage rates. Similarly, in their dealings with other employers the Brown brothers were at various times supporters of a selling cartel – the Vend – and at other times a major factor in the Vend's demise as they undercut the coal prices charged by their competitors. Significantly, James Brown was the first to challenge the AA Co.'s monopoly of coal production in the Hunter, negotiating a contract in 1844 to sell 4,000 t a year to the Hunter River Steamship Navigation Company at its Morpeth port facility. When sued by the AA Co. for a breach of its monopoly rights, Brown turned a nominal legal defeat into an operational victory as – in a bizarre decision – the court ruled that Brown could continue to mine coal even as it reaffirmed the AA Co.'s monopoly (Turner 1982: 46). Even with the benefit of this ruling, however, the expansion of the Brown brothers' endeavors seemed improbable. Unlike AA Co., which mined Newcastle's best seams, in the

1850s the Brown brothers worked inferior deposits at Minmi near Maitland, a mine that could only be accessed “after crossing six miles of undeveloped swamp and bush land” (Turner 1964: 3). To compensate for this disadvantage, the Brown brothers worked their mine at lower cost than AA Co.’s more highly capitalized operation. They also aggressively targeted new markets, most particularly the steamer trade with South America and the other Australian colonies, even establishing selling agents in London (Turner 1982: 65, 110). By 1859 the ingenuity of the brothers was publicly recognized, a rival mine manager observing that, “although labouring under considerable disadvantages at such a distance up the Hunter . . .the two brothers” had revealed themselves to be “practical men” and fierce “competitors” (cited Turner 1982: 65). From their initial base at Minmi, the two brothers engaged in a risky expansion, buying a better located mine at New Lambton in Newcastle, which by 1867 was producing 131,000 t per year compared to the 69,000 t extracted from the Minmi deposit (Turner 1982: 76). As A & J Brown expanded, the firm’s pursuit of overseas markets became increasingly aggressive. By 1890, the Brown brothers were undercutting their Newcastle rivals, destroying the Vend created in 1881. The ruthlessness of the Brown brothers was indicated by their willingness to attack the well-established trade union influence in the Hunter coalfields. In locking out their workforce in December 1894 the Brown brothers not only sacked their unionized workforce, they also evicted miners and their families from their company homes. Despite considerable violence, which including the dynamiting of nonunion homes, the Brown brothers succeeded where others failed, operating their mines on a nonunion basis from April 1895 (Turner 1964: 6). Having reduced their operating costs, A & J Brown proceeded to drive their rivals out of the flourishing trade with South America (Turner 1982: 114). At century’s end, A & J Brown was the largest family-owned business in the Hunter, operating four mines and employing 2000 workers (Mauldon 1927: 58).

If the success of A & J Brown proved that, even in the Hunter, entrepreneurs of modest means could establish highly profitable businesses, their need to aggressively target overseas markets pointed to a fundamental business problem: the constraining effects of small local markets. Despite the wealth of the Hunter Valley coal seams, the region’s mines were piddling affairs when compared to the highly capitalized mines of Britain, Germany, and the United States. In 1900, the Hunter’s entire production (3.5 million tons) amounted to only 1.7% of the tonnage mined in Great Britain (207 million tons). With a population of only 3.8 million people in 1900, Australia as a whole also lacked the consumer markets that were a prerequisite for unaided large-scale manufacturing ventures. Lacking any steel-making facilities prior to 1915, industrial demand for coal remained modest, an outcome that made the Hunter coal industry heavily reliant on sales to the state-owned railways and coastal shipping ventures.

The constraining effects of markets were even more obvious in manufacturing, where Newcastle failed to sustain any large-scale ventures during the nineteenth century, despite the city and its suburbs providing a home to 50,000 residents in the 1890s. In this, once more, the Hunter reflected in miniature the wider Australian experience, an editorial in the *Newcastle Morning Herald* (1889: 4) lamenting how colonial society was "utterly dependent upon other countries for many of the necessities and almost all the luxuries of life." Where factories of any sort of scale were attempted in Newcastle they were characterized by two essential features: they were family-owned and short-lived. Even the Newcastle Meat Preserving factory established by the Dangar brothers in 1848 only lasted for 7 years before closing its doors (Turner 1980: 34). A. W. Scott, a local politician and entrepreneur who established Newcastle's first metal foundry in 1842, was also bankrupt by 1866 (Turner 1980: 29). In the 1880s another family-owned venture, Hudson's Wickham Rolling Stock Works, appeared to be on the verge of long-term success. Employing 200 workers, Hudson's benefited from a large order from the NSW Railways Department. When, however, the railways reduced their order, the viability of the business was fatally compromised (Turner 1980: 53–54). Even the Valley's most successful nineteenth-century manufacturer, William Arnott – who turned Arnott's biscuits into an iconic Australian brand that still dominates the supermarket shelves in the twenty-first century – found the small Hunter Valley market a constraining factor. In 1894, Arnott began closing down his Newcastle operation in favor of one located in western Sydney, closer to its principal market (Turner 1980: 67).

Newcastle's manufacturing difficulties highlighted the fact that the very factor that favored development of the region's resource-based industries – ease of transport along a flat valley to a deep-water port – curtailed factory expansion by making imports readily available. On this front, the establishment of a railway connection to Sydney in 1889 exacerbated rather than alleviated the plight of local manufacturers. For the coal mining population of the lower Hunter, the lack of a significant manufacturing sector was their central political concern by the late 1870s. Believing that political intervention was needed if manufacturing was to succeed, the coal mining electorate of Northumberland returned nothing other "protectionist" candidates belonging to the Working Men's Defence Association between 1880 and 1894, continuing to vote for protectionist politicians even after the formation of the Labor Party in 1891 (Bowden 2006b: 57, 59). At the end of the nineteenth century, however, the Hunter remained what it had been 100 years earlier: a resource-based economy. In recording their impressions of Newcastle in May 1900, a "Visitor" (1900: 3) noted that the city was "practically kept alive by the great coaling industry," adding: "The whole city . . .appears to be practically hidden from view by the continuous cloud of smoke . . .the density of the smoke renders it impossible to even get a glimpse of several outlying suburbs."

The Hunter in the Twentieth Century: The Rise and Fall of Heavy Manufacturing

In 1900 it appeared that calls for government action to facilitate large-scale manufacturing in the Hunter had fallen on deaf ears. A few years later, however, things looked very different. In two separate terms in office (1903–1904, 1905–1908), the Protectionist Party government of Alfred Deakin, acting with

Labor Party support, introduced some of the most far-reaching political and economic changes in Australian history: the compulsory conciliation and arbitration of industrial disputes, restricted immigration under the terms of the “White Australia” policy, old age pensions, and tariff protection to encourage a substantial manufacturing sector. Generally referred to as the “Deakinite Compromise” or the “Historic Compromise,” Deakin’s legislation did more than provide material assistance to would-be manufacturers. It also legitimated heavy state intervention in the economy at the expense of market forces.

In the lower Hunter, the effects of protectionist policies, pursued with vigor by both state and federal governments, were clearly evident by 1921, when a third of Newcastle’s 33,372 male workforce was employed in manufacturing. The largest number (5,739) was employed at the BHP steel-works. Another 2,200 were employed at five heavy manufacturing firms operating close by: the Walsh Island Docks, Ryland Brothers, Goninan & Co., Commonwealth Steel Products, and the Sulphide Corporation. Of these establishments, only the Sulphide Corporation was in operation at the dawn of the century (Mauldon 1927: 87, 105–106). Newcastle’s burgeoning manufacturing sector received another major boost when the British-based firm, John Lysaght, agreed to relocate its operations to Newcastle in return for government protection and a guaranteed de facto monopoly status. A major producer of galvanized iron sheeting – the preferred roofing material for Australian homes, then as now – John Lysaght had exported 85,000 t of galvanized iron to Australia on an annual basis prior to World War I, a tonnage that represented 70% of national consumption (Hughes 1964: 85). In reflecting upon these developments, Mauldon (1927: 93) described it as evidence of the positive effects of “localization,” whereby the location of one large producer (i.e., BHP steel) led to the relocation of other firms that serviced its needs and utilized its output. The Commonwealth Steel Works, for example, used BHP’s iron ingots to produce steel automobile wheels. Similarly, the government-owned docks and shipyards at Walsh Island used BHP’s steel in ship repair and manufacture (Mauldon 1927: 95–97). By the mid-1920s, BHP was also operating its own coal mines – as well as a company shipping fleet – to service the steel-work’s needs (Hughes 1964: 99–100).

At many different levels, the development of a heavy manufacturing sector brought with it managerial practices and problems that were new not only to Hunter but Australia as a whole. Historically, employment in the Hunter had revolved around stable workforces, in which families often lived on their employer’s estate, be it a mine or a pastoral property. By contrast, labor turnover in the new manufacturing plants was extraordinarily high. At Ryland Brothers, for example, labor turnover stood at 300% in 1920 – a rate similar to that experienced at the Ford Motor Co. in 1913. Seven years later the company was still recruiting up to 3,000 workers a year in order to maintain a workforce of 1,000 employees. At John Lysaght in 1927 the company was forced to recruit 400 men so as to keep 100 workers at their tools (Mauldon 1927: 121). It was not only the boring and monotonous nature of the work which alienated workers. Shift work, and round-the-clock operation, was also detested, Mauldon (1927: 125) recording that the effect of shift-work “on the home life of the district is undeniably bad.”

The arrival of large industrial corporations also brought with it new skills, new ways of looking at problems, and new types of managers. On occasion these practices fitted into the existing practices and values of the region without undue difficulty. When John Lysaght's relocated to Newcastle in 1921, for example, it sent over not only many of the firm's managers but also 75 mill workers and 28 galvanizers, along with their families. Transplanted from a highly unionized environment in Bristol, the John Lysaght managers and workers found the Newcastle labor relations environment to be little different to that which they had left behind (Murray and White 1982: 57). By contrast, the employment ethos at the BHP steel-works was totally alien to the collectivist values of the typical Hunter Valley worker. Many of the steelworkers initially employed by BHP – and most of the middle managers and nearly all the senior managers – were recruited directly from the United States. Virtually all of these new arrivals were opposed to unionism on principle. The propensity of BHP managers to build mansions for themselves on a hill overlooking the steel-works also did little to endear them to the workforce, most of whom lived in crude weatherboard cottages at Carrington, adjacent to the mill. At these Carrington properties, home life – like working life – was "dominated by the heat, fumes, and dirt of iron and steel working" (Hughes 1964: 76). Even the Australian or British-born managers of BHP tended to be vehemently antiunion in their attitudes, having engaged in grueling conflicts with their unionized mining workforce at Broken Hill in both 1909 and 1919–1920, the latter dispute lasting from May 1919 to November 1920. To mitigate the influence of unionism, BHP management promoted those workers perceived to be company loyalists to "staff" positions that excluded them from union membership; an outcome that allowed the mill's operation during any strike. The company also experimented in 1921 with a "company union," the short-lived Iron and Steel Workers' Association (Hughes 1964: 95–97).

Despite the antagonism with which it was viewed by much of the workforce, BHP proved a flexible and dynamic producer during the 1920s and 1930s, the company taking over a second steel-works at Port Kembla to the south of Sydney in 1935. With the assistance of a new round of tariff protection and concessional railroad freight charges, BHP modernized in the late 1920s, shifting the focus of production from heavy plate to the lighter rolled sheets required by new consumer-driven needs (automobiles, fridges, stoves, canned food). As a result, Australia's imports of rolled steel fell from 275,000 t in 1929–1930 to 90,000 t in 1930–1931 (Hughes 1964: 110). Overall, BHP's steel production rose from 284,669 t in 1923–1924 to 1.65 million tons in 1940–1941 (Hughes 1964: 101, 132–133). Writing in 1970, the economic historian, Colin Forster (1970: 158) advised his readers that, "The development of the steel industry by BHP is regarded as one of the outstanding success stories in Australian industrialization," its production symbolizing "the maturity of Australian manufacturing."

The transformative effects of BHP's success were evident on many fronts. Despite the devastating effects of the Great Depression, which at its peak saw almost a third of the Australian workforce unemployed, overall factory employment rose from 450,000 in 1928–1929 to 656,000 in 1938–1939 (Hughes 1964: 130). Whereas only 15% of the Australian workforce were employed in manufacturing in

1900–1901, by the 1940s an estimated 26.3% of the labor force worked in a factory, a percentage that rose to 28.1% in the 1950s (Butlin 1970: 291). Manufacturing's contributing to GDP – which averaged 12.8% in 1886–1890 and 14.4% between 1911 and 1920 – rose to an average of 28.4% in the 1950s, before peaking at 29.5% in the early 1960s (Butlin 1970: 290). Where workers were employed in a factory, this was by the 1940s likely to be in a large, well-capitalized operation rather than the small-scale affairs of yesteryear. In 1906, for example, only 35.5% of factory workers were employed in firms with 100 workers or more. By 1938–1939, however, almost half the factory workforce were engaged by this type of business (Forster 1970: 141). The improved efficiency of the manufacturing factor was arguably most evident in steel-making. Whereas the existence of BHP's steel-works had long depended on tariff protection, by the mid-1930s it was selling its iron and steel at lower prices than the duty-free price of imports (Forster 1970: 158).

As the Hunter's miners had long hoped, Newcastle's burgeoning steel industry underpinned a large-scale increase in coal production. By the late 1930s, BHP's Newcastle steel-works was using 1.5 million tons of coal per year, a tonnage equivalent to one-eighth of the entire national production. Most of this coal came from BHP's own mines, the BHP mine at Lambton in Newcastle being the first to be fully mechanized (Hughes 1964: 121–122). Significantly, the growing demands of the Hunter's manufacturing sector supported the development of the Cessnock field, which rapidly overtook the Newcastle region as Australia's principal source of black coal. Whereas only 2,776 coal miners were employed in Newcastle mines in 1921, there were 6,266 coal miners in Cessnock, where the town population rose from 150 in 1903 to 14,385 in 1933 with another 25,000 living in the surrounding hamlets and villages (Bowden 2006b: 62: Walker 1945: 3, 151). By 1925, the Hunter region was producing a record 7.67 million tons of coal per year, more than double that produced at the beginning of the century (Walker 1945: 37). Most of this production was from a small number of large producers, a concentration of ownership that became more pronounced in 1932 when BHP acquired the Burwood and Lambton mines from the Scottish-owned Scottish Australian Company (Lewis 1948/2009: 598). Shipping companies also increased their exposure to coal mining, the Howard Smith Shipping Company taking over the mines of another Scottish company, Caledonian Collieries, a firm that had pioneered the extraction of coal from the Cessnock field (Walker 1945: 3; Ross 1970: 153). By the early 1930, 60% of Cessnock's production came from mines fully or partially owned by shipping companies (Ross 1970: 326).

If both manufacturing and coal mining experienced boom conditions in the first quarter of the twentieth century, in the Hunter Valley's pastoral sector – as with the Australian pastoral industry more generally – things were more subdued. Following a collapse in wool prices in the 1890s, and the terrible Federation Drought (1895–1903), sheep numbers declined markedly, only returning to 1890 levels during the early 1950s. This is not to say that sheep-raising lost its preeminent role as an export leader. In 1924–1925, pastoral products still provided 55.1% of Australia's merchandise exports (Cain 1970: 77). However, pastoral exports lost their oversized role as a contributor to national wealth and employment. Overall, the contribution of exports to national income declined from 26% of the total in the first decade of the twentieth century to 17% in the 1930s (Cain 1970: 118). In terms of employment, the rural sector's share fell from 25.3% in 1900–1901 to 13.9% in the 1950s. Similarly, the rural sector's addition to GDP declined from 28.1% in 1900–1901 to 13.1% in the early 1960s (Butlin 1970: 290–291).

Within the Hunter the most significant changes to pastoral production occurred not in the upper Hunter – the domain of the sheep-lords – but in the lower Hunter, where dairying flourished. The rise of the dairy industry in the Hunter was integral to what Hagan and Turner (1991: 53) referred to as the Australian "Dairy Revolution," in which the spread of refrigerated transport allowed for a massive increase in both fresh milk production and manufactured milk products (i.e., butter, cheese, etc.). As was the case with the earlier expansion of agriculture, dairying in the lower Hunter benefited from ease of transport and its vicinity to Sydney's metropolitan population. Accordingly, by 1914–1915 the Hunter and the adjacent Manning district were producing one-quarter of NSW's milk output (NSW Parliament 1915: 1203). As is the norm in Australian business circumstances, politics and state regulatory practices also played a significant role in the success of dairying in the lower Hunter. Whereas milk producers in more remote regions produced for the butter and cheese industries, where most production was exported, Hunter Valley growers in 1914 were officially deemed to be part of the "Sydney Milk Zone." This meant that Hunter Valley milk was sold fresh to the household, delivering per gallon returns that were often double those obtained by farmers outside the "Milk Zone" (Bowden 2006b: 71). Despite this happy circumstance, the typical Hunter dairy farmer and their family eked out a grueling, hand-to-mouth existence. Reason for this is found in the fact that by the early twentieth century the best pastoral land had long been claimed, either by a sheep-lord or by some other early settler. As a result, the great bulk of dairy farmers worked as sharecroppers, obtaining land and cattle, and a share of the milk cheque, from the "owner" in return for their unrelenting labor. As one dairyman, Mr. McKitchie, complained in 1922: "Women and children had to assist or the farmer could not make a living. It was impossible to earn the minimum wage without working 80 hours" (Dungog Chronicle 1922: 3). Despite the prevalence of such work practices, dairying grew in importance. By the late 1960s, it was responsible for 40% of the Hunter's rural production, measured by value (Farrelly 1968: 2).

Built on apparently sold foundations, the hard-earned prosperity of the Hunter – as with the Australian nation as a whole – was always vulnerable. The fundamental problem, in the twentieth as in the nineteenth century, was the constraining effects of small local markets. Astutely, this problem was recognized by the General Manager of BHP, Essington Lewis, in 1938, at a time when the profitability and competiveness of the company's steel-works appeared unassailable. Writing for his company's own journal, *BHP Review*, Lewis advised his staff that the steel-works was struggling to achieve proper economies of scale due to "the smallness of the home market." Lewis went on to note that, whereas the "most economical unit of iron and steel production is normally very large – the Australian demand is relatively small" (cited, Forster 1970: 158). Compounding the inevitable problems that stemmed from a small home market, BHP was slow to accept new ideas and technologies during the 1940s and 1950s, a time when steel technology developed at a faster pace "than it had at any time in the previous hundred years" (Hughes 1964: 161). By the late 1950s the deficiencies of BHP were exposed by the rise of innovative Japanese exporters who – despite the strength of Australia's tariff barriers – began to capture an ever larger share of the local iron and steel market. For a time the lackluster development of BHP was disguised by its propensity to sell much of its iron and steel production to its various subsidiaries – which by the 1940s included Ryland's and John Lysaght – who then on-sold finished product as tin-plate, pressed sheeting, or galvanized iron (Hughes 1964: 179). By 1970, however, when BHP closed its ageing plate mill, the increasingly obsolete nature of the Hunter's manufacturing base could no longer be disguised. Despite various state and federal government rescue efforts, employment at the steel-works fell away sharply, dropping from 11,500 in 1981 to 6500 in 1983 before closing in 1999 (Bowden 2006a: 61).

In the domestically oriented Hunter coal industry, the prosperity of the early 1920s evaporated even more rapidly. Despite the increased demand provided by BHP's steel-works, NSW's state-owned railways remained the industry's principal customer. When the railway's freight and passenger business collapsed in the mid-1920s due to competition from road transport, the well-being of the coal trade collapsed with it, the production of the Hunter Valley falling from a record 7.6 million tons in 1925 to 3.7 million tons in 1930 (Walker 1945: 37). Although the collectivized ethos of the miners curtailed unemployment, with workers sharing available work, the average number of days worked fell from 200 in 1922 to 169 in 1929 (Ross 1970: 325). Constant industrial disputes also curtailed not only production but orders as customers rebelled over poor delivery times, a problem that became even more pronounced during the "Great Lockout," a dispute that shutdown the Hunter coalfields between February 1929 and June 1930 amidst an undercurrent of violence. When the miners returned to work, the union fought a long and – for a time – successful campaign against mechanization, mistakenly believing that such action was the best guarantor of future employment.

Declaring mechanization to be "an uncontrollable monster," the Central Council of the Miners Federation resolved in 1935 that, "The time has arrived for organized resistance to further mechanization, which threatens to render destitute and desolate whole districts and communities." As a result, despite the efforts of companies such as BHP, production continued to revolve around "pick and shovel mining" (Dingsdag 1988: 179). Indeed, as Donald Dingsdag's (1988) doctoral thesis reveals, levels of mechanization were actually lower in the 1930s that they were in the immediate aftermath of World War I. Even after another crushing union defeat in the 1949 general coal strike – primarily fought over the issue of mechanization – manual labor remained the norm in most mines (Dingsdag 1988: 296). The inevitable result of this Luddite-like opposition to mechanization was an antiquated industry, ill-equipped to deal with a collapse in coal demand associated with the railway's transition away from coal-fired locomotives to diesel engines. Across the Cessnock field, coal mining employment fell from 6,700 in 1954 to 1,400 a decade later (Holmes 1965: 108).

Throughout the Hunter, the decline in coal mining and steel-making was associated with a hollowing out of the "blue-collar" workforce that had previously characterized regional employment. Between 1971 and 1986, the population of

Newcastle City fell from 146,009 to 129,956 (Bowden 2006a: 59). On the Cessnock coalfields, a study by the urban geographer, J. H. Holmes (1965: 111) revealed that 39% of the nonrural workforce was commuting outside of the Cessnock area so as to obtain work. In most cases, Holmes (1965: 109) observed, "They have been obliged to accept . . . unskilled, less remunerative labouring jobs."

If the Hunter's resource-based economy appeared to be on its knees in the early 1960s, in the last third of the twentieth century it staged a remarkable recovery, albeit one that was more pronounced in terms of wealth produced than jobs created. As in earlier periods of economic growth, the post-1960 expansion was attributable to four factors: the Valley's natural wealth, politics, external demand, and the arrival of well-financed firms that had made their fortune elsewhere.

The first pointer to the eventual recovery of the Hunter's resource-based economy came on the political front, when in February 1956 the NSW Premier, Joe Cahill, promised to "place orders for a huge coal-fired power station on the Northern [i.e., Hunter] coalfield." Cahill also promised the voters of the lower Hunter that "every possible step would be taken to safeguard the interests of all engaged in the coal mining industry" (cited, Newcastle Morning Herald 1956: 1). When construction of the promised Vales Point power-station began in 1959, up to 1,600 former coal miners were employed in its construction, many of whom eventually found permanent work in the Newvale colliery built to service its needs. When construction began on a second, even larger power-point at nearby Munmorah in January 1962, the local press declared, somewhat optimistically, that, "The future of the [coal] industry is assured" (Newcastle Morning Herald 1962: 2). The importance of electricity generation for the Hunter coal industry can be ascertained from the fact that of the 8.1 million tons produced in 1967 – a tonnage slightly above the prewar peak obtained in 1925 – 48.1% went to the Hunter's coal-fired power generators (Longworth 1968: 2). By itself, however, the needs of the power industry would have merely slowed the coal sector's decline, reducing it to the status of a small ancillary economic activity. Instead, it was the export industry, fuelled by the power-generation needs of South Korea, Taiwan, and, above all, Japan that proved the real salvation of the Hunter's coal mines. In terms of both the speed at which it occurred, and the scale it assumed, the growth of the Hunter's export coal industry was truly extraordinary. Where exports provided markets for only 6.2% of the Hunter's coal in 1967, by 1970–71 an estimated 33.35% of a much expanded production was exported (Longworth 1968: 2; Dingsdag 1988: 321). Whereas the Hunter exported 0.5 million tons in 1967, by 1991–1992 exports through Newcastle amounted to 56.1 million tons (Longworth 1968: 2; NSW Department of Mineral Resources 1998: 3).

The revival of the Hunter coal industry's fortunes was associated with a geographical, technological, and managerial transformation. Whereas historically, the Hunter's coal had come from underground pits adjacent to either Newcastle or Cessnock, by the mid-1990s most of the region's coal – and the great bulk of exports – was coming from open-cut mines in the mid-Hunter flanking either Singleton or Muswellbrook. Admittedly, open-cut mining was not new to the Hunter's upper reaches. To offset war-time and postwar coal shortages the government-owned Joint Coal Board (JCB) effectively pioneered open-cut mining in the Hunter, operating 7 mines by 1950. However, the JCB mines were so poorly run that all had closed by 1954 (Dingsdag 1988: 287–289). For its part, the private-sector was loath to venture where government had failed, given that a single dragline – the key piece of technology in open-cut technology – cost tens of millions of dollars in the 1970s. As a result, the development of the open-cut sector required a different type of company to that which had traditionally operated in the Hunter, namely a multinational with very deep pockets. In providing continuing evidence of the Hunter's golden rule, the first such venture was Clutha Development, a subsidiary of the oil giant, BP. Soon joined by Rio Tinto and another oil giant, Shell, these mining behemoths engaged in an investment spree of staggering dimensions. Between 1973–1974 and 1981–1982, investment in the open-cut sector rose from AUD$1.83 million to AUD$512.58 million (Dingsdag, 313). Amid a constant process of rationalization, Rio Tinto eventually emerged as the Hunter's largest producer through its subsidiary, Coal & Allied. By 1997, Rio Tinto's 6 mines, which included 2 in Queensland, were producing an annual total of 29.5 million tons – 4 times the tonnage produced by all the Hunter Valley's miners 20 years before (Carrington Coal Company 1998:41). In the vast open-cut pits of the Hunter, the traditional skills of underground mining were largely redundant. Instead, mining came to resemble a large civil construction project, in which heavy earth-moving equipment was used to create roadways, move enormous quantities of overburden, and haul huge tonnages of both earth and coal as the mines reshaped the physical landscape. By utilizing capital-intense mining techniques to the full, the Hunter Valley miners also made their industry one of the world's most efficient, dominating the Pacific Basin trade in thermal coal. Whereas, for example, a Cessnock miner had typically produced around 917 t per year in 1939, by 1997 a Hunter miner extracted 6,920 t on average (Walker 1945: 38; NSW Department of Mineral Resources 1998: 3).

In reflecting upon the political economy of the Hunter at the close of the twentieth century, Macdonald and Burgess (1998: 10) concluded that coal mining "remained the single most important industry" in the region. A year later a government survey estimated that coal mining provided the region with 7,700 direct jobs and 50,000 indirect jobs (Agnew 1999: viii). Elsewhere in the Hunter the region's resource-based economy also assumed a new appearance. Traditional forms of pastoral activity, which had revolved around sheep-raising in the upper Valley and dairying in the lower Valley, fell into abeyance. In the case of dairying the fatal blow was delivered by the NSW Parliament when it abolished the "Sydney Milk Zone" in 1976, allowing larger and more efficient producers from further afield access to this lucrative market. In the upper Hunter, more of the district's 5,424 primary producers were running beef than sheep in 2001, focusing on high-value product for the restaurant and export trade (Bowden 2006a: 50). As noted in the introduction, the upper Hunter also emerged as one of the world's principal horse-breeding regions as old-established pastoral families sold out to overseas interests. In the lower Hunter the most significant rural activity by the early 1990s was the raising and processing of chickens on an industrial scale, the Steggles' processing plant at Beresford killing and packaging 30 million chickens in 1991 (Newcastle Herald 1991: 15). The success of Steggles was proof of the continued relevance of the Hunter's subsidiary rule, which associates managerial success with a rapid transition from small to large business. A long established family of produce merchants, who had specialized in the supply of their home-made chicken feed to local growers, the dynasty's fortunes were transformed when Bruce Steggle hit upon the idea of supplying supermarkets with precut packaged chicken. Transforming an old grain mill at Beresford into a processing plant, by the late 1980s Steggles was part of a duopoly – along with its great rival, Ingham's – that dominated the Australian market (Insch 2005: 116). By 1991, Steggles was responsible for 1,500 direct and indirect jobs, in both processing and supply, the latter including 196 chicken-breeding farms (Newcastle Herald 1991: 15). As with previous rural ventures in the lower Hunter, much of Steggles' success is attributable to geography and vicinity to the large Sydney market.

In the lower Hunter, adjacent to Cessnock, wine-growing also grew in economic significance, a success that was in many ways paradoxical given the fact that the Hunter region remained an insignificant wine-growing region. In the early twenty-first century, for example, the Hunter crushed only 35,000 tons of grape per year, a tiny fraction of national production of 1.5 million tons. Despite this fact, however, wine-growing in the Hunter at this time was worth $350 million on an annual basis, employing 1,720 full-time workers and a small army of casuals at harvest time (Henderson et al. 2009: 267). Explanation for the disproportionate economic impact of the Hunter wine industry is found in two factors. First, producers often garnered a reputational advantage by bottling wine grown elsewhere in the Hunter, a ploy that caused an association with the lower Hunter's old vines. Secondly, and far more significantly, the typical Hunter vineyard operated as a de facto tourist venture, benefiting from the vicinity of vineyards to Sydney, a two to three hour freeway drive away to the south. By 2005, an estimated 2.3 million tourists were visiting the Hunter's wine districts each year (Henderson et al. 2009: 266). In explaining the principles upon which they ran their business, one well-established vigneron noted, "when I first came here [in 1985] my comment to my shareholders was that we are almost first a tourist business and [only] then in the business of growing good grapes" (cited, Henderson et al. 2009: 266).

For all the wealth created by the Hunter's resource-based industries, the employment effect of these endeavors was far less at the end of the twentieth century than it was at the beginning. Indeed, the very conditions upon which the success of the resource-based economy came to be premised – high levels of capital-intensity and labor productivity – curtailed large-scale employment increases. Outside the shrinking opportunities of the resource-based sector, an increasing number found work in part-time jobs in retail, hospitality, and community service. As a result, by 2001 only 60.2% of the jobs in Newcastle, and the adjoining cities of Lake Macquarie and Port Stephens, were full-time. At the other end of the employment spectrum, 31.7% of the Newcastle workforce were professionals by 2001. Unlike the situation that prevailed in the 1930s and 1940s, when professional employment tended to be associated with BHP or another large private-sector employer, the professional jobs at the close of the twentieth-century were typically associated with public sector employment or with work that was tax-payer funded (i.e., education, health, defense). At the same time, however, Newcastle City had more unemployed workers, and more singleparent families, than any other area in the Hunter (Bowden 2006a: 64). In short, the Hunter labor market had fractured, leaving four distinct groups with little in common: blue-collar workers in the resource-based sector, urban professionals, part-time service-sector workers, and those who boasted little or no connection with the paid workforce.

Wealth and Poverty: The Hunter in the Twenty-First Century

In 2020 the Hunter was still Australia's wealthiest valley, a claim that the region could have argued with equal justification in 1820 and 1920. More than ever, the material wealth of the Valley is associated with the primary sector. By comparison with the situation which prevailed in the mid-twentieth century, comparatively little of the Valley's natural wealth is now subject to processing or manufacture. Outside of the former steel-making city of Newcastle, the percentage of the workforce engaged in manufacturing (6.7%) in 2016 was less than half that employed in primary pursuits, namely mining (9%), and agriculture, fishing, and forestry (3.4%) (ABS 2019b). In the city of Newcastle, the percentage of the workforce recorded as working in manufacture (5.5%) in the 2016 census was even lower (ABS 2019a). Nowhere is there evidence of a successful transition to a high-tech, "knowledge-based" economy. Outside of Newcastle, the percentage of the workforce engaged in information technology and media services stood at a derisory 1% in 2016. The percentage of the workforce engaged in education and training (6.7%) was identical to that found in the shrunken manufacturing sector. Despite the much spruiked success of wine-based tourism, the percentage of Hunter Valley (excluding Newcastle) workers engaged in accommodation and food services (8.1%) was less than that found in mining (9%) in 2016 (ABS 2019b). Even in Newcastle, the percentage of workers employed as managers or professionals (37.2%) was only modestly superior to that recorded in 2001 (31.7%), an outcome that leaves the educated professional a distinctly minority breed in the Hunter Valley.

If the broad structure of the Hunter's economy in the second decade of the twenty-first century was little different from that found when BHP closed its steel-works in 1999, there is one cohort that has grown in significance: those with little or no engagement with the workforce. Whereas in 2001 the Hunter's labor force participation rate outside of Newcastle City stood at 70.4%, by 2011 it was down to 58.4%, reaching a new low-point of 56.4% in 2016 (ABS 2001: Table B25; ABS 2019b). If we exclude the 7.5% of the labor force who were unemployed from our calculations, it is evident that in 2016 barely half (52.6%) the Hunter Valley's (outside Newcastle) working age population had any gainful employment. At the time of the 2016 Australian census, it was also the case that barely half (56.9%) the working age population had any postsecondary school qualification. In 2016, moreover, only one-third (33.3%) of the working age population outside Newcastle had completed high school (i.e., grade 12) (ABS 2019b). Even in Newcastle, only 56.5% of the working age population was employed in 2016. Barely half (50.5%) had completed high school (ABS 2019a).

The problems that now bedevil the Hunter speak to the very purpose of management in the modern world, in not only this region but in every industrial society. As we noted in the introduction to this chapter, "management" has historically been associated with what Wren and Bedeian (1972/2017: 3) refer to as wealth creation "through the efficient allocation and utilization of human and material resources." In his defining study, *The Genesis of Modern Management*, Pollard (1965: 2) similarly declared the purpose of management to be "the efficient use of resources within the firm," a task which he associated with "the creation of a proper institutional and human framework to make this possible." What made management such a socially progressive force, Pollard (1965: 7) continued, was the fact that the pursuit of efficiencies forced a constant struggle against those forces – unfree labor markets, "a hostile State," "unsympathetic legal systems," barriers to the movement of people and goods.

Arguably, it was the self-serving pursuit of such principles that drove the extraordinary economic successes of Hunter businesses throughout the nineteenth and twentieth centuries, whether those endeavors were directed towards securing pastoral land for wool exports, tariff protection for steel production, or the construction of coal-fired power-stations to foster aluminum smelting and job creation. Admittedly, the pursuit of these self-interested objectives often brought Hunter managers into conflict with their workers, the most savage struggles in the Valley's history being those associated with opposition to the mechanization of coal mining. Opposed as they were when it came to short-term objectives, there was little difference between workers, managers, and unions when it came to long-term aspirations for the region. All wanted successful, wealth producing industries. Even communists supported wealth creating industries, hoping to inherit prosperous industries rather than moribund ones come the revolution. Such unanimity is now a thing of the past.

Nowhere is the divisions between the exponents and opponents of the Hunter's (and Australia's) resource-based industries more evident than in the use of coal-fired power-stations to drive lower electricity prices and, hence, both lower costs and the relocation of energy-intensive industries such as aluminum smelting. Between the 1950s and 1980s, as we have observed, the pursuit of such of such objectives was central to successive NSW governments, who saw in cheap electricity a pathway to greater prosperity in not only the Hunter but the society more generally. As Graham et al. (2015) indicate, across Australia the real price of electricity halved between 1955 and 1975. Between 2007 and 2013, however, the inflation-adjusted price of electricity charged to manufacturing businesses grew by 60%. During the same period, household electricity prices rose by 72% in real terms (Graham et al. 2015; Swoboda 2013). Since then prices have continued to increase at a similar rate. Although there are many factors behind these price increases – which have turned Australia from a low-cost to high-cost energy producer – a central factor has clearly been the propensity of recent Australian governments to shift generating capacity from coal-fired units to renewables (i.e., solar, wind). In describing the economic effects of this change, the Australian Aluminium Council (2018: 1) – the peak council representing Australia's seventh largest export industry – formally warned the Commonwealth Government's Energy Security Board in July 2018 that, "Australia no longer has internationally competitive energy costs and this has halted investment . . . and is imperilling the viability of existing [smelter] assets." The Council went on to advise that "nonthermal options" (i.e., renewables) "are not yet cost competitive at scale" and that as a result, "In the short- to medium-term at least, thermal generation will be required" (Australian Aluminium Council 2018: 1–2). There is, of course, an argument that we can maintain energy-intensive industries such as aluminum smelting *and* abandon the use of fossil fuels at the same time. In the so-called "New Green Deal," introduced by Rep. Alexandrina Ocasio-Cortez (2019: 3, 7) into the United States House of Representatives in February 2019, we are told that the rapid transition to a system where "100 percent" of "power demand" will come from "clean renewable, and zero emission energy sources" will actually reverse a process of "deindustrialization" that is now "4-decade" (sic) old. However, while Ocasio-Cortez believes this feat is possible, the Australian Aluminium Council clearly disagrees. Objectively, the evidence appears to support the Australian Aluminium Council's more pessimistic conclusion. In the Hunter, the Kurri Kurri smelter near Cessnock has already closed. Another, at Portland in Victoria, is facing imminent closure. Despite efforts by all levels of Australian government to expand the use of renewables, the Australian Government's Department of Energy and the Environment (2019) official "Energy" website indicates that in 2018 fossil fuels provided 81% of Australia's electricity, whereas wind and solar contributed 11%. In other words, the focus on renewables has driven the cost of electricity up without fundamentally altering the nation's dependence on fossil fuel.

Given that there appears little realistic prospect that the aluminum industry's needs can be met by renewables, it is evident that some (if not many) are happy to condone the closure of Australia's smelting industry as part of the transition to a more environmentally friendly society. In 2014, for example, the federal parliamentary leader of Australia's Green Party, Christine Milne, vehemently opposed efforts to support aluminum smelting, declaring the industry to be "big polluters" (cited, McCulloch 2014). Easy in principle, allowing the aluminum industry to close would have devastating effects for the Australian economy, causing the loss of export income equivalent to half of all the nation's tourist income. Nowhere would the effects be felt more severely than in Newcastle and the Hunter, a region where disengagement with the paid workforce is becoming almost the norm. It is, of course, not only the smelting industry that is under threat. The coal industry, long the bedrock of the regional economy – and of the Australian economy more widely – has even more vocal and influential foes. Some oppose the industry's expansion because it interferes with the peace and quiet of a bucolic existence. In opposing the proposed Rocky Hill coal mine, for example, Brad Bowden (no relation) declared that, "Like many of my fellow tree-changer residents, I can now see my vision for peaceful country living crumbling before my eyes" (Bowden 2017: 1). More significant opposition is found in senior legal circles. In a paper given to the Dundee Climate Conference in Scotland in September 2019, for example, Chief Judge Brian Preston (2019b: 19) declared that the severity of climate change – and the mandates of the Paris Climate Agreement – meant that it was "increasingly difficult for courts to accept that the individual emissions of an entity are inconsequential," a "drop in the bucket" that would allow a business to legally proceed where its activities contributed to climate change even in a modest way. In reflecting on his own decision to block a new mine to the Hunter's immediate north, Preston (2019b: 22) observed, "Australia had a responsibility as a developed country to take the lead" in opposing projects that might lead to increased emissions. There is no doubt that Preston's comments would be endorsed by many Australians. However, the closure of the Australian coal industry would be far more consequential that the loss of the nation's smelting industry. In terms of export income, it would cause a loss equivalent to that associated with the placement of a permanent ban on the arrival of all international tourists and international students into the country. In the Hunter, it would cause what many already fear: a large-scale loss of employment in not only mining but also in transport, the railways, the Newcastle port, and a host of service providers (i.e., vehicular maintenance, business services, finance, etc.).

Whether one supports or opposes the continuation of the Hunter's resource-based economy, built around the mining and the use of fossil fuel, there is no gainsaying the fact that it is today the most divisive issue in the region, overshadowing other social and economic concerns: unemployment, falling labor force participation, increasing levels of poverty among those excluded from the workforce.

Conclusion

As we have noted continually throughout this chapter, the golden rule for business and managerial success in the Hunter has been to arrive with a preexisting fortune and well-established political connections. This is another way of saying that in the Hunter, as with Australia more generally, politics and state intervention have played a disproportionate role in the success of any industry or venture. When the Hunter was first settled by Europeans, the fact that all land was regarded as belonging to the British Crown, rather than the original Aboriginal inhabitants, meant that political connections were useful, if not essential, to the acquisition of good quality land with river frontages. Among those who benefited from official largesse in the initial subdivision of the Valley was the man entrusted with the land survey, Henry Dangar, a man whom Manning Clark (1973a: 250), describes as someone "consumed by the passion to acquire land" who "ended up laying up for himself large landed treasures." When commercial coal mining commenced in the Hunter in the 1830s it did so in the form of a government-mandated monopoly granted to the AA Co., a company that boasted many British parliamentarians and the Governor of the Bank of England among its directors. The establishment of BHP's steel-works in the early twentieth century followed the passage of the "Iron and Steel Works Bill" by the NSW parliament on 2 October 1912, in which the parliament pledged to take "all necessary steps" to assist BHP, measures that included land grants, the dredging of harbors, and the resumption of waterfronts (NSW Parliament 1912a: 1705). The coal-fired power-stations constructed in the Valley between the late 1950s and early 1990s were not only state-funded they were also government-owned, built in part to alleviate the then-depressed state of the local coal industry. The development of a large-scale aluminum industry in the lower Hunter in the 1970s and 1980s was also facilitated by government subsidies and support, the then Premier, Neville Wran, driven by the "dream of creating a Ruhr Valley in NSW" (Steketee and Cockburn 1986: 202).

The state's constant favoring of self-interested business endeavors appears to suggest that the Hunter, and Australia more widely, is a place where nepotism, corruption and illicit government-business relationships operate at the expense of normal market forces, favoring certain well-connected parties at the expense of others. There is some measure of truth in this. Nevertheless, to see government-business relations in the Hunter as activities driven by self-serving interests at odds with the needs of the wider community is to engage in fundamental error. Australia is a fiercely democratic society. In NSW, politicians have been exposed to popular election since 1856. Even before this date the strongly democratic and egalitarian values of the society brought any ill-favored government action before the court of public opinion, where a free and vocal press quickly exposed any activities contrary to the commonweal. Of the great pastoral families who dominated the upper Hunter during the nineteenth-century, Eldred-Grigg (1978: 230) observes that they "were by no means in a position of dominant political power," and that "for years at a time" the district was represented "by men who were the antithesis of landed gentlemen." Although the sheep-lords were typically ill-regarded by their poorer neighbors, there was never any serious attempt to evict them from their estates. Instead, most recognized that only well-connected and well-financed individuals and firms possessed the wherewithal to run a pastoral property. Accordingly, the pastoralists – for all their narrow, self-serving behavior – served a beneficial societal role, marshaling resources and demonstrating a level of managerial expertise that was beyond the abilities of the small wheat-farmer. Indeed, it was only the existence of the pastoral estates that made neighboring small-scale farming possible, allowing the wheat farmer – and his sons and daughters – the capacity to supplement their farm income with waged-labor on the sheep-lord's property (Eldred-Grigg 1978: 289).

If we consider the circumstances of the parliamentary bill that provided BHP with an array of tax-payer funded benefits in 1912, it is evident that this was also done in accordance with – rather than contrary to – public opinion. The Labor Party minister who steered the "Iron and Steel Works Bill" through parliament, Arthur Griffith, was no corrupt business lackey. Instead, the university-educated Griffith was one of the leading socialists of his generation. A person of privileged personal circumstance, Griffith was constantly returned by the working-class voters of Newcastle between 1894 and 1901 before transferring to the electorate of Broken Hill, where support for socialism was even more pronounced among Labor voters (Bowden 2006b: 60–63). In neither Newcastle nor Broken Hill was BHP much loved, given the company's propensity to engage in industrial conflict with its unionized workforce. Once more, however, pragmatism – and the recognition that BHP alone had the physical and financial resources to develop a steel industry – overcame voter dislike. As Griffith informed parliament, "Any Government in power would welcome the establishment of a great iron industry, which after all is the basis of every other industry" (NSW Parliament 1912a: 1706). If pragmatism overrode sentiment in the case of BHP, it is also wrong to see this decision as in anyway unusual. On 1 October 1912, for example, the day before the passage of the "Iron and Steel Works Bill," the NSW parliament passed another bill, the "Newcastle District Abattoir Bill," which provided government funding for a Newcastle abattoir. In describing the government's rationale in introducing the bill, the Premier, Jack McGowen, declared, "It is the outcome of representations that have been made to the Government for the last twenty years by the local governing bodies interested, which represent a population of 60,000 or 70,000" (NSW Parliament 1912b: 1579).

A propensity to constantly seek government assistance and protection in the Hunter, as in Australia more generally, points to the constraining effects of small markets, a problem historically associated with a small population. In 1900, Australia's entire population (3.8 million) was not much more than 40% of that found in the greater London metropolitan area. While small businesses could provide for many of the basic household needs of the population (carpentry, boot-making, baking, retailing, etc.), large-scale business activity typically required external sources of finance, technology, personnel, and managerial expertise. This tendency was most pronounced in the interior, where the export-oriented ventures that underpinned national prosperity – wool-growing and mining – typically required both deep pockets and a knowledge of international markets and logistics. Given the smallness of the population and the vastness of the Australian landscape, the risks involved in such ventures were always high. In such circumstances, it is hardly surprising that business would seek some sort of government support or guarantee before venturing their capital. It is also hardly surprising that the most common support offered by government was the provision of something that Australia had in abundance: land.

If business in the Hunter, and Australia more generally, has long sought and obtained the protective support of the state, it is also the case that national prosperity has always heavily relied upon the exploitation of the natural world in the form of sheep and cattle-raising, farming, forestry, and mining. This was true in the nineteenth and twentieth centuries, and it is equally true in the twenty-first. As noted in the introduction, in 2018 minerals comprised 6 of the nation's top 10 exports. The nation earns far more from fossil fuels such as coal (AUD$66.9 billion) and natural gas (AUD$43.3) than it does from either education (AUD$35.3 billion) or tourism (AUD$22.2 billion). The only manufacturing sector of export note – aluminum and alumina smelting – is also fossil-fuel reliant. As Australia's wealthiest valley, the Hunter is a notable contributor to this export wealth, most particularly in relation to coal and aluminum. Until 20 years or so ago, the businesses and managers associated with this export wealth were held in considerable esteem. Increasingly, however, at least in metropolitan Australia – where the sources of the nation's export wealth and prosperity often seem distant and inconsequential in terms of their positive economic effects – those associated with resource-based industries are regarded with opprobrium, condemned for despoiling the climate and environment. The result is a society increasingly torn asunder. As urban professionals look on their regional cousins with ill-disguised scorn, those in regional areas such as the Hunter show a greater willingness to follow the same path as that pursued by the Trump-voting and

Brexit-voting blue-collar workers in America and Britain, putting their hopes in populist politicians. Amid this turmoil, the very purpose of managerial endeavor appears more uncertain than at any other time in the nation's history.

Cross-References

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