

# PRESIDENTIAL ADDRESS

## Connections

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Some of you who attended the last annual meeting of the Conference in Pasadena, and who heard and saw Lou Galambos' performance, are wondering how I am going to follow his act. Relax. I am not even going to try! Recall that Lou showed slides. I do not have any videotape with me, and I know that all of you in the room would quickly bore of my Super8 home movies.

Lou showed pictures of his Hungarian grandmother who never smiled. I cannot do that. One of my grandmothers I recall as a very proper Victorian Lady who, by the time my memory began, had become senile. I cannot report whether or not she ever smiled, but my father did tell me that once upon a time, as a young woman in Oberlin, Ohio she dated the College librarian, Azariah Root, one of the founders of the Anti-Saloon League. Whether or not that caused her to smile I do not know. Her father was a homeopathic physician in Oberlin whose advertisements on the front page of one of the local Prohibition Party newspapers--note that there was more than one Prohibition paper in town, one for each faction of that ill-fated Party--revealed that he specialized in piles and rectal disorders. Perhaps his treatments were successful and his patients, if not my grandmother, smiled; of that I have no evidence.

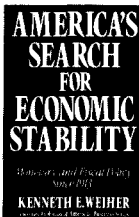
Nor do I have evidence, pictorial or otherwise, of my other grandmother and her smiles. She was born in Germany, so perhaps she never smiled. On the other hand, she was from Bavaria, so maybe she did smile. She died while I was still a boy, so I have nothing to report on that score.

Others of you, who know me better, are sitting here worried that I will follow in the tradition dictated by Will Hausman and offer my remarks in an autobiographical mode. Again, I admonish you to relax. I know that my autobiography is singularly uninteresting, and Will has been too busy in his new role as Department Chair to have had time for his usual decree about the presidential address.

I will not fill you with the boring details of my academic life, for I know that I cannot match the stories that my predecessors have recently told.

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Those of you who were in Toronto will remember Bill Lazonick telling us of how he climbed a mountain in Switzerland in a vain attempt to sit at the feet of John Kenneth Galbraith. I cannot help it that I read *The New Industrial State* in Columbus, Ohio, where there is not a mountain in sight, much less a real hill within forty miles. Nor can I report, as Tom McCraw did a few years ago, with echoes in his voice of the wonderful, mellow accent of the Appalachians, of being raised by nuns in Tennessee. I cannot help it that I grew up a Protestant in Iowa, again without hills within at least a hundred miles, and therefore speak to you tonight without any accent at all.

Since I cannot tell you anything interesting in an autobiographical or grandmother mode, I considered seriously finding a nearby restaurant for dinner this evening and seeing all of you sometime tomorrow morning. However, as a historian I do have respect for some tradition, and thought it best to appear. Anyway, without my name on the program the state auditor might refuse to reimburse my airplane ticket to Boston.

Last year I found Lou Galambos' "real" presidential address, the one published in our Proceedings, thought provoking. Since I have learned so much from Lou's writings over the years, it seemed appropriate for me to speak a few words in echo of what Lou wrote, a few words about "connections." Business history connects to the rest of history, and we should be proud of our roles in developing large subjects of understanding. We have two traditions in business history, as I see the field, and both connect to the rest of "history" and historiography. (I must say, parenthetically, that in my ensuing remarks I confess to be a parochial historian of American business; I leave the important comparative work to other scholars more able and more energetic than I am.)

Some of us may have a sense of disconnection from the rest of historiography and the history academy because our subject is out of fashion. Business history is rooted intellectually in the social sciences, including of course economics but also in sociology and political science, and to some extent thus is disconnected from some of the now fashionable intellectual traditions in the humanities, including deconstruction. Lou Galambos has pointed out to us how there are intellectual bridges among our traditions. The Business History Conference program has tried to improve upon those bridges. Yet some of us have reason to suspect that the bridges are for one-way streets. There are persons in the humanities, sometimes occupying positions of power in professional societies and universities, who hold business history in contempt because race, class, and gender are not the only variables of our central concern. They define social history in narrow terms and may fail to see the full range of human values and interests that come into play in society. Because of our social science roots, we business historians are not ever going to connect to those scholars who refuse to admit other variables and whose view of social history is so narrow as to exclude subjects as important as ethnicity and religion from it. We can only hope that, in the free marketplace of ideas, their time will pass, and none too soon.

In the meantime, it behooves us to connect to social history. There is much of lasting value in that branch of history, and we have much to offer one another. I am reminded that when I began teaching at Ohio State our

curriculum included courses in the "Social and Economic History of the United States," and that curriculum represented an intellectual activity of connectedness. The curriculum disappeared in the fragmentation of history and much of the rest of modern American academic life, but that does not mean that its underpinnings cannot remain.

One tradition of business history focuses on the firm and the patterns of the development of the firm. I have not until very recently participated in this tradition of business history in my own research, but I have of course benefitted from the work of those of you who have made such important contributions to our understanding of business institutions. This tradition of business history connects to "the rest of history," it seems to me, in ways that Lou Galambos explained in his still timely essay on "the organizational synthesis" published in 1970. Alfred D. Chandler, Jr. has carried this tradition in historiography to the mountaintop and has allowed all of us to see the hills and valleys below more clearly. When I helped persuade Ohio State University to award Chandler an honorary doctorate a few years ago, I told him that it was not because of his contributions to business history but because of his contributions to American history. We live today in a bureaucratic society rooted in the institutional developments clarified by business historians, and to avoid the scholarship of Chandler and other persons comes only at the peril of refusing to acknowledge the importance of the historical dynamics, the warp and woof, of modern American institutions. When we study the firm we study an important if changing reality, and we should not be too concerned about those persons who, out of ignorance or ideology, ignore that reality, who are heard to speak of business history with a hiss in their voice.

The other tradition of business history has more to do with the environment of the firm, of how society acts upon the firm and vice versa. Government-business relations, or "the political economy," is part of this tradition of business history. It is in this arena that my own work has occurred until recently. In this second tradition of business history we are clearly connected to other subjects in history. I have always thought of myself as a political historian, yet the annual meetings of the Conference have been very attractive to me. The connections between business history and political history are long-standing, and if we feel "disconnected" from history-writing in general in the United States, it is partly because political history is a star that has fallen with the disillusioning political experiences of a generation of historians now in the prime of their scholarly lives. Politics and economics, and therefore public policy and business, have developed hand-in-hand since at least July 4, 1789 when the first Congress under the new American constitution passed federal statute number two, a tariff measure designed to raise revenue and to promote the development of certain industries and firms.

There is also compelling work well underway that connects the development of business firms with the broader American society in which they operated. John Ingham, Philip Scranton, Naomi Lamoreaux and Mansel Blackford are names of business historians that come quickly to mind in this vein. I am pleased that scholars from other parts of our discipline are enlarging our understanding of the connections between business history and social history. Olivier Zunz has helped us understand business firms as social

institutions whose development was part of class formation in industrializing and bureaucratizing America.

As I thought about the subject of "connections," I reflected on some of my own work and how insights from social history may help us better understand the history of the firm in American life. It should go without saying that as an American historian I am aware that I am studying a capitalist society in which wealth, income, and power are distributed unequally, and in which types of businesses and success in business are closely tied to the class structure of the society. The oppression by white Americans of black Americans over time is too obvious for any open-eyed historian to miss. And feminist theory has instructed us in the importance of gender relationships in shaping American institutions, including business.

We should not, however, leave the list of "connections" so general and especially so limited. Younger historians have properly criticized some members of my generation of thinking too abstractly about larger social processes such as "modernization" or "bureaucratization." They see those abstractions as almost dehumanizing, or at least as depopulating real people from historical action. We need to keep the actor in business history, and to recognize that individuals made a difference, and that individuals in making a difference acted consciously or unconsciously, explicitly or implicitly, out of the full range of human foibles. Businesses are more than institutions run from economic motives, and the people who populate business firms bring to their work the full range of human values. We can better connect to social history by explaining how the business firm is a social institution as well as an economic institution.

Allow me briefly to give an example. When I studied the prohibition movement, I of course had to study the liquor industries against which the reformers were acting. The main enemy of the prohibitionists after the 1880s were the brewers, and the brewers were German-Americans. The brewers could not separate their German heritage from their business activities, and they filtered their business perceptions through that heritage. With a few important exceptions, the German-American brewers were unable to understand their opponents in the Woman's Christian Temperance Union and the Anti-Saloon League. The brewers thought the problems associated with alcohol abuse were a product of distilled spirits, and spoke of beer as a temperance beverage. The brewers promoted their psychotropic drug as "liquid bread." Because beer drinking was so integral a part of their own lives, of the ethnic communities from which they came and in which they continued to live, brewers simply never understood the prohibition movement.

In contrast to the German-American brewers were the German-American Jews who dominated the distilled spirits trade before prohibition. The leaders of that trade very early appraised correctly the threat posed by the Anti-Saloon League, and realistically developed an understanding of what a successful resistance to the prohibition reform would entail. Although their economic interests--their class interest, if you like--was identical with those of the brewers, the spirits men were never successful in persuading the brewers to present a consistent united front of opposition. I observe the difference, but I cannot explain it. Perhaps the spirits men were

realistic because they were Jews familiar with discrimination and oppression and realistic about political movements. Maybe the brewers were anti-semitic and therefore did not respond more favorably to the attempts of the spirits men to develop an effective, consistent and united front against the reform onslaught. I simply do not know; my sources did not instruct me. Nevertheless it seems clear that ethnicity is central to the understanding of those two sizable American industries before World War I. This seems a case where social and business history are closely connected if not inseparable.

More recently I have become, now in the twilight of my career, a historian of the firm. The BFGoodrich Company will be 125 years old on December 31, 1995, and Mansel Blackford and I are finishing a scholarly history in time for that celebration. I am fascinated by observing Goodrich as a social institution as well as an economic institution, as a business that seems to reflect the values of people in it. What I have to say in this regard is preliminary, for the research is incomplete, and my reflections on our data only partly formed.

From what we have learned of Goodrich's history, we cannot understand the company as an economic institution whose executives guided it according to principles such as return on investment to the exclusion of other values. Goodrich rose after 1870 as a very large and successful American rubber manufacturer. The firm in its first five decades was closely held by a fairly small group of stockholders associated with the Goodrich family or members of a small group of Akron boosters who had helped capitalize the company in the 1870s. David Goodrich, the son of the founder, served as Chairman of the Board of Directors until 1950, retiring only months before his death.

Two related themes of corporate strategy emerged in the early years and continued over several generations of executives and into the period after David Goodrich's death, when the management was entirely professional. One theme was taking money out of the company in order to lead an upper class life style. The second theme was consciously failing to make the investments necessary to sustain the company as a leader in the rubber manufacturing industry. We are aware that it was common for men who made fortunes in American business to play golf, own yachts, and engage in conspicuous consumption on Park Avenue. What seemed uncommon for Goodrich executives, however, when compared with their rivals in the other Akron rubber firms, Goodyear and Firestone, was that the upper class life style values came at the expense of the long term interests of the company. In the second decade of the twentieth century, as automobile sales accelerated, and with them the market for rubber tires and molded goods, Goodrich executives of the second generation arranged to cash in part of their fortunes at the expense of investing for the newly burgeoning market for rubber goods. They insisted on maintaining Goodrich as a diversified producer of rubber goods in order to guard against cyclical down turns in profits from any one line of goods such as tires. The result was that Goodrich soon lost its first place position in the emerging oligopoly of rubber manufacturing, and by the 1930s had dropped to fourth position.

This practice continued after Goodrich management became more professional. In 1939 David Goodrich brought in John Collyer as president of the company, and Collyer quickly became known as one of the nation's most able and prescient business executives. Yet in Collyer's regime, which lasted until he retired as Chairman in 1959, the company followed the same policies. Collyer had been true to the firm's strategy of being a diversified producer by investing heavily in the manufacture of polyvinyl chloride (a Goodrich scientist had discovered how to plasticize pvc in 1926, and a Goodrich engineer learned how to manufacture it economically just before World War II), and for the period 1940 to 1960 Goodrich made enormous profits by supplying expanding pvc markets. At the same time, executives, even after the death of David Goodrich, consciously made investment decisions that they knew would result in a loss of market share in tires. In the meantime, those same executives were arranging splits of Goodrich stock that rewarded their personal fortunes. Goodyear and Firestone, in contrast, were investing substantial sums to seize opportunities for rubber sales with the burgeoning use of motor vehicles in postwar America, and abroad. Their investments were also diversifying Goodyear and Firestone so that the companies were less heavily dependent for profits on tire sales.

I know of no other way to explain this consistent long term pattern of behavior in one of America's larger industrial firms without thinking about the company as a social institution. The founder, B.F. Goodrich, was a physician with family connections to a small town elite in New York and an upper class family on a Kentucky plantation. He was certainly entrepreneurial, a man endowed with advantages and blessed with luck. As soon as B.F. Goodrich died, prematurely, in 1888, his widow moved to New York city where she and her children apparently associated with upper class institutions, including Harvard. The founder's successors were more interested in living in New York society and associating with New York based business elites than they were in managing the affairs of manufacturing and distribution in Akron. Their behavior represented a particular system of values, an orientation that was not primarily economic in an entrepreneurial or business sense. Somehow this tradition carried through some otherwise dramatic changes in the company's operations and management.

Having this puzzle confront me causes me to think about the importance of community, of class, of values, and of generational experience in the history of the business firm--some of the important "stuff" of social history. It leads me to think that there is much exciting work to be done in the history of the firm, work that connects our fragmented fields into "social and economic history." I will refrain, however, from further thoughts along these lines, knowing that the hour gets late--as we prohibition historians say, "the clock is the curse of the talking classes"--so I will restrain myself, relieved that the Presidential Address is now over!