

FORUM: MODERN AMERICAN HISTORY

# The History of Capitalism and the Eclipse of Optimism

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I'm a first-year baby boomer, the immediate product of my parents' exhausted reunion in winter 1945, my father having spent hard years guiding airbase construction projects in North Africa, Sicily, and Italy, while my mother tended to her aging, then dying, parents in rural Pennsylvania. Growing up on the periphery of industrial Pittsburgh, where my dad was a U.S. Steel design engineer, I daily encountered signs of American greatness—vast metalworks running three shifts, big Buicks and Fords, and for kids, “Kill the Gooks!” comic books, then smash-mouth high-school football. As I came to appreciate the costs and contradictions in this seemingly natural American environment, a fundamental fracture became evident between the heroic or tragic tales Americans revere and our actual behavior toward those unlike us, here and abroad. That recognition sparked a meandering, decades-long struggle to understand the omitting and the forgetting that sustain our broad, continuing commitment to American triumphalism, revitalized after 1989 and resurrected, as farce, in 2016.

Looking back, perhaps the deepest concern anchoring my research has been to appreciate how “things” worked the way they did in industrial capitalism; how, when, and why they changed; and how, when, and why they failed, with what consequences. In this effort, the term “things” has referenced family companies, industrial districts, economic sectors, technological initiatives and disasters, radical innovations, manufacturer–distributor contests, state–business relationships, and most recently, postwar, socialist firm practices in Central Europe and the People's Republic of China. It seems that in the heyday of history's cultural and discursive turn between the early 1980s and the mid 1990s, I chose a different path—toward exploring business and technical practice in and among organizations under capitalism, starting with clustered, high-value-added textile firms in Philadelphia between roughly 1800 and 1940, and more recently cycling back to similar issues addressed by enterprises in “actually existing socialist” states.<sup>1</sup>

On quite another track, during my late adolescent lurch from Midwestern Republicanism (somewhere, I still have my 1956 “I Like Ike” pocket hankie) to antiwar activism in Philadelphia, I slogged through the socialist classics, which yielded durable respect for Marx and a nearly fifty-year engagement with social and economic theory, providing a second narrative axis for my research. This involved reviewing core modern economic treatises, sharp critiques, and diverse materials in management, organizational, and technological theory, alongside social and cultural analyses by, among others, Anthony Giddens, Ulrich Beck, Zygmunt Bauman, Richard Sennett, Pierre Bourdieu, and Bruno Latour. As Giddens has helpfully noted, in being “sensitizing devices,” theories provoke questions rather than supply answers.<sup>2</sup> And they have done this for me, from underscoring the operational complexity of flexible manufacturing, key to my monograph *Proprietary Capitalism*, to forcing recognition

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<sup>1</sup>Philip Scranton, *Proprietary Capitalism: The Textile Manufacture at Philadelphia, 1800–1885* (Cambridge, UK, 1984); *Figured Tapestry: Production, Markets and Power in Philadelphia Textiles, 1855–1941* (Cambridge, UK, 1989); “Managing Communist Enterprises: Poland, Hungary and Czechoslovakia, 1945–1970,” *Enterprise and Society* 19 (forthcoming 2018); and “Managing Communist Enterprises: The People's Republic of China, 1949–1962,” paper presented at the European Business History Association, Vienna, 2017.

<sup>2</sup>Anthony Giddens, *The Constitution of Society: Outline of the Theory of Structuration* (Berkeley, CA, 1984), 326.

of the unknowns and uncertainties that haunt innovating beyond the boundaries of reliable knowledge (e.g., in aerospace and jet propulsion).<sup>3</sup>

These two narratives, then, have structured my wandering. Triumphalism surely faltered in scholarship, as researchers identified the forgotten and inserted them into reconfigured histories. Then it faded empirically, as its material, economic, and political pillars crumbled in the wake of global industrial competition, home-grown financialization, and political short-termism. Yet America's postwar dominion repeatedly set questions for me about the Cold War era. (How did the military-industrial complex work in solving practical problems of design, in accounting for failures, in overcoming technical ignorance? How could the world's greatest industrial and commercial corporations at mid-century fall so far and so fast during and after the 1980s?)

Theory remained robustly linked to my work, with new voices and fresh perspectives in the 1990s and after rechanneling the "sensemaking" imperatives that accompany encounters with historical sources or contemporary phenomena.<sup>4</sup> For example, Bruno Latour's theory and process in unpacking a failed French transit initiative deeply influenced my question set when researching the technical and organizational gyrations of urgent, high-tech military innovation projects—creating jet engines in the United States, Britain, and France.<sup>5</sup> Analyzing scores of propulsion projects led me to the project management literature, distinct from mainstream management research—which privileges ostensibly permanent firms, not transient temporary organizations and entrepreneurial start-ups. In turn, that scrounging precipitated an article suggesting that business and technological historians consider *projects* as subjects for research, which at a minimum might help address our weak understanding of construction as enterprise, work culture, and technical task.<sup>6</sup> More recently, these entwined narratives generated an unusual (if not unique) collection of short essays, jointly drafted with Patrick Fridenson: *Reimagining Business History*. Through its forty-three sections, Patrick and I urged colleagues to reflect on traps embedded in current ways of working, thematic opportunities worth their attention, prospects for research arising in collateral fields, and resources (especially theoretical) for framing research. Notable among the traps we highlighted was taking the United States as "normal and normative," whereas, for us, "following the actors" represented a key research principle, both being descendants of the dual narratives noted above.<sup>7</sup>

Now, after decades emphasizing social and cultural themes, U.S. historians have begun to display renewed interest in organizations and actors structuring, critiquing, and transforming America's political economy (often across long time spans with transnational, even global, referents). From my business and technology neighborhood, I have watched courses, programs, seminars, and publications examining the history of capitalism multiply. Harvard's Program on the Study of Capitalism now sponsors research courses and graduate student conferences. Johns Hopkins supports an American Capitalism seminar, featuring both senior and younger scholars, the Newberry Library likewise; Princeton has had a Readings in Capitalism and History (RICH) colloquium since 2013. Cornell offers a two-week, math-heavy methodological summer school course for doctoral candidates and college faculty.

<sup>3</sup>Philip Scranton, "Technology-Led Innovation: The Non-Linearity of U.S. Jet Propulsion Development," *History and Technology* 22, no. 4 (December 2006): 337–67.

<sup>4</sup>Karl E. Weick, *Sensemaking in Organizations* (Thousand Oaks, CA, 1995).

<sup>5</sup>Bruno Latour, *Aramis, or the Love of Technology* (Cambridge, MA, 1995). See also Philip Scranton, "Mastering Failure: Technological & Organizational Challenges in British and American Military Jet Propulsion, 1943–1957," *Business History* 53, no. 4 (July 2011): 479–504.

<sup>6</sup>Philip Scranton, "Projects as a Focus for Historical Analysis: Surveying the Landscape," *History and Technology* 30, no. 4 (2014): 354–73.

<sup>7</sup>Philip Scranton and Patrick Fridenson, *Reimagining Business History* (Baltimore, MD, 2013). Colleagues' polarized responses to this effort showed, at least, that we had managed to challenge traditionalists and energize outliers.

Yet for modern American history, this surge has yielded few clear implications. Papers in the 2016–2017 Hopkins Capitalism series focused on familiar economic history topics (“capitalism” appeared in none of their titles). The four announced faculty for the last Cornell History of Capitalism Summer Camp were drawn from economics, statistics, and planning, not history.<sup>8</sup> Princeton has held just six RICH gatherings in four years, none in 2016–2017. Harvard’s fall 2017 conference will spotlight “Capitalism in the Countryside,” an effort to “decenter the city and metropole and problematize progress narratives that render capitalist and urban formations inevitable.”<sup>9</sup> Though I surely endorse challenging progress narratives, thus far, the history of capitalism seems to provide a landing strip for only loosely organized congeries of business, economic, urban, intellectual, and legal historians, plus scholars of culture and consumption.<sup>10</sup>

Nonetheless, for historians seeking to understand transformations in political, social, and economic institutions as well as practices, capitalism is the elephant that crowds the room. Its proponents’ unfettered late nineteenth century march through land, labor, and law rested at the edge of what some still call the Second Industrial Revolution—and at what might be regarded as modern American history’s beginning point. Capitalists’ dominion over the state sagged briefly in the Progressive Era and more so in the Great Depression, when John Dos Passos perceived pervasive tumult and deep uncertainty: “Capitalism is undergoing transformations. Events escape and outstrip all theories.... And theories are extremely rare in this country.... It’s as if at the train station, everyone had agreed to get on without asking where the trains are going. It is the very basis of American life.”<sup>11</sup>

American capitalists’ fortunes recovered vigorously in the postwar, thanks to a corporate counterattack against labor and the state, under the slogan “the right to manage,” and a maturing Communist bloc that advocated rival tracks for modernization.<sup>12</sup> Business history had been essentially called into being in the 1930s to defend the capitalist system; postwar business schools lionized the corporation and its managers, while popularizing free-market business values that stifled communitarian alternatives. After the Reagan deregulation era and the Soviet/Central European implosions, capitalism became our omnipresent default setting: TINA—There Is No Alternative—as Margaret Thatcher’s slogan put it.<sup>13</sup> So, given this legacy, how might modern American historians approach and research the history of capitalism?

Not, I would hope, by trying to determine “What is capitalism and when and where did it begin?” This leads only to discursive regress, squabbling over definitions and meanings.<sup>14</sup> A different line of questioning might start with positing capitalism as one scheme for market ordering, among others, and with market ordering itself as one among a number of possible socio-economic frameworks (consider Imperial China’s traditionalism, or Christian and

<sup>8</sup>History of Capitalism Summer Camp flyer, 2016, 5, <http://hoc.ilr.cornell.edu/sites/hoc.ilr.cornell.edu/files/shared/HOC-Camp-Informational-Flyer-2016.pdf> (accessed May 2, 2017).

<sup>9</sup>CFP: History of Capitalism Graduate Student Conference (Deadline: 3/31), Harvard University, January 31, 2017, <http://studyofcapitalism.harvard.edu/content/cfp-history-capitalism-graduate-student-conference-deadline-331> (accessed May 2, 2017).

<sup>10</sup>These programs take a critical/analytical stance toward capitalism, but elsewhere comparable university efforts are supportive, if not celebratory. For a solidly grounded example, see the Clemson Institute for the Study of Capitalism, which presents courses, conferences, and a lecture series, and appoints an annual postdoctoral Hayek Research Fellow: <https://capitalism.sites.clemson.edu/resources.html> (accessed May 4, 2017).

<sup>11</sup>Interviewed in Vladimir Pozner, *The Disunited States* (New York, 2014), 115; originally published in French as *Les Etats Désuniés* (Paris, 1938).

<sup>12</sup>Howell John Harris, *The Right to Manage* (Madison, WI, 1982).

<sup>13</sup>Patrick Fridenson, “Is There a Return to Capitalism in Business History?” in *Capitalism: The Reemergence of a Historical Concept*, eds. Jürgen Kocka and Marcel van der Linden (London, 2016), 107–32, here 108–10. On Thatcher’s slogan, see Claire Berlinski, *There Is No Alternative: Why Margaret Thatcher Matters* (New York, 2008).

<sup>14</sup>On definitional variance, see Wolfgang Streeck, *How Will Capitalism End? Essays on a Failing System* (London, 2016), 1–2, especially note 3.

Islamic religiosity as alternatives).<sup>15</sup> Then we might ask, pragmatically and practically: “What did American capitalists do and how?” with follow-ups such as: “How did capitalists learn what to do?”; “Who helped their efforts, opposed them, ignored them, with what consequences?”; or “How did capitalists fail, where and why?” (This approach plainly echoes Stephen Marglin’s classic 1970s provocation, “What Do Bosses Do?”<sup>16</sup>) The general task: Locate capitalism’s actors and stakeholders and follow them and their rivals across time and space; uncover situated supporting and limiting laws, cultural dispositions, customs, and practices and assess their salience to organizations and outcomes. This is not an appeal just to chase individuals, however; for we understand from Mary Douglas, among others, that organizations are social and historical actors, and, in American law, fictive persons when incorporated.<sup>17</sup> Identifying contextualized hierarchies and networks of socio-economic interaction has and will provide sites for historical inquiry into capitalist practices, especially if we visit other-than-American configurations to broaden contexts.<sup>18</sup>

Last, as historical inquiry is rooted in researchers’ contemporary circumstances, bringing capitalism into modern American history necessarily involves appreciating the generations of crisis and decay that have so savaged American workers, rustbelt cities, and rural districts, even as concentrations of wealth reach robber baron–era levels. There is a core literature that provides access to and understanding of this eminently capitalist process.<sup>19</sup> Then, there is another more theoretically demanding and ambitious literature by colleagues in the social sciences, tendentious and speculative, that asks deeper questions: Is capitalism coming apart? As the socialist option is closed, what may follow?

In my view, the clearest, if clearly depressing, thinking here can be found in the work of Wolfgang Streeck, director of the Max Plank Institute (Cologne) and a scholar of socio-economics. In a 2016 essay collection, Streeck notes that western capitalism has been on a crisis trajectory since the 1970s—a historical turning-point when the post-war settlement was abandoned by capital in response to a global profits squeeze. To be precise, three crises followed one another: the global inflation of the 1970s, the explosion of public debt in the 1980s, and rapidly rising private indebtedness in the subsequent decade, resulting in the collapse of financial markets in 2008.<sup>20</sup>

<sup>15</sup>Klaus Kraemer, “Sociology and Capitalism Research,” *economic sociology\_the european electronic newsletter* 18, no. 1 (November 2016): 18–28 (includes a highly-valuable bibliography), [http://econsoc.mpifg.de/newsletter\\_archive.asp](http://econsoc.mpifg.de/newsletter_archive.asp) (accessed May 4, 2017).

<sup>16</sup>Published originally as “What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production,” *Review of Radical Political Economics* 6, no. 2 (July 1974): 60–112; a second part was released in *RRPE* 7, no. 1 (April 1975): 20–37. Google Scholar reports that the first section has been cited over 1900 times, as of May 3, 2017. Here Marglin contested (in advance) the business historical argument Alfred D. Chandler would make in *The Visible Hand* (Cambridge, MA, 1977) that technological efficiency was maximized through corporate hierarchies.

<sup>17</sup>Mary Douglas, *How Institutions Think* (Syracuse, NY, 1986). Douglas stresses that institutions do “entropy-reducing work,” in part through the “naturalization of social classifications,” 48. Adopting methodological individualism is not helpful here. See the classic essay: Steven Lukes, “Methodological Individualism Reconsidered,” in *Sociological Theory and Philosophical Analysis*, eds. Dorothy Emmet and Alisdair MacIntyre (London, 1970), 76–88.

<sup>18</sup>For a contrast to U.S. business networks, see Max Boisot and John Child, “From Fiefs to Clans and Network Capitalism: Explaining China’s Emerging Economic Order,” *Administrative Science Quarterly* 41, no. 4 (December 1996): 600–28.

<sup>19</sup>Gerald F. Davis, *Managed by the Markets: How Finance Re-Shaped America* (New York, 2009); Robert J. Gordon, *The Rise and Fall of American Growth* (Princeton, NJ, 2016); Justin Fox, *The Myth of the Rational Market* (New York, 2011); Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA, 2014); Branko Milanovic, *Global Inequality: A New Approach for the Age of Globalization* (Cambridge, MA, 2016).

<sup>20</sup>Streeck, *How Will Capitalism End?*, 16.

These convulsions, abetted by globalization, progressively reduced state capacities to regulate enterprises, reversing baseline conditions for governance that had held since war's end: "*Now states were located in markets, rather than markets in states.*"<sup>21</sup> This shift steadily reinforced late twentieth century trends toward oligarchic inequality, secular stagnation, corruption, and global political disorder. Streeck's concern is that contemporary capitalism no longer operates to "underwrite a stable society." Instead it has "overrun its opponents and in the process become more capitalist than is good for it." With no vision for restoring growth, with a metastasizing individualism in command, we face, not a socialist revolution, but "a long period of systemic disintegration ... that demands constant improvisation, forcing individuals to substitute strategy for structure."<sup>22</sup>

Only recursive improvisation, what Ulrich Beck termed "seek[ing] biographical solutions to systemic contradictions," can keep an entropic, disorderly, stalemated post-capitalist interregnum society going, in the absence of collective regulation containing economic crises; limiting inequality; securing confidence in currency and credit; protecting labor, land, and money from overuse; and procuring legitimacy for free markets and private property through democratic control of greed and prevention of oligarchic conversion of economic into political power.<sup>23</sup>

Going forward, Streeck argues, most citizens are reduced to implementing some combination of four activities: coping, hoping, doping, and shopping. With this blunt judgment, he rejects one of western capitalism's core imperatives: the duty to be optimistic. Perhaps we might ask ourselves, as modern American historians, whether optimism, the silent companion of progress talk, can any longer be our default setting, and what might change were we, facing forward and back, to abandon that conceit. Shall we continue doggedly sustaining optimism, or might we instead more fully historicize the pervasive entropy that has become an unintended consequence of postwar capitalism's unbounded conquests?

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<sup>21</sup>Ibid., 22 (emphasis in original).

<sup>22</sup>Ibid., 35–6.

<sup>23</sup>Ulrich Beck and Johannes Willms, *Conversations with Ulrich Beck* (Oxford, UK, 2004), 102; Streeck, *How Will Capitalism End?*, 41.