PREFACE

THIS BOOK project began in 2014 when Franco Amatori and Louis Galambos invited me to a conference at Bocconi University in Milan on "Capitalism and the Corporation: Today and Yesterday." This is a topic with which I had long been concerned, both in the context of the economics of organization and, more recently, from the perspective of big-think organizational history in the style of Alfred Chandler, who arguably created the modern field of business history. In *The Visible Hand*, Chandler documented and attempted to explain the rise of large multiunit (that is, vertically and laterally integrated) corporations in the late nineteenth century and their prominence in the twentieth.

In Chandler's view, such corporations came to dominate significant sectors of the American economy because they successfully substituted administrative coordination by expert managers for the invisible hand of the market as a mechanism of resource allocation. But just as Chandler's magnum opus was hitting the bookstores in 1977—a time when there were still such things as bookstores—the world of the large American corporation began to come apart. The fall of Bretton Woods and rise of globalization, coupled with the dramatic technological changes of the electronics revolution, had already begun to tear down old empires, bringing to the fore new firms, many of them small, entrepreneurial, and specialized. These new firms were often not large; and even when they were large in terms of sales or market capitalization, they were not highly vertically integrated.

In an essay called "The Vanishing Hand" in 2003, I tried to explain this turn of events.[1] In my view, the large managerial corporation arose not because of its inherent superiority for all times and places but because, in the late nineteenth and early twentieth centuries, systemic technological change ran ahead of the ability of market-supporting institutions to create the necessary economic capabilities in a decentralized way. Administrative coordination is a second-best mode of resource allocation, albeit one that is often valuable and necessary. With growth in the extent of the market and the development of market-supporting institutions, along with technological change that took a far less systemic—and perhaps even more "modular"—form, midcentury models of centralized planning became increasingly inappropriate at the end of the century.

When Amatori and Galambos invited me to Milan, they expected me to write something further along these lines. Instead, I saw it as an opportunity to look back upon my conversation with Chandler's work. Why was administrative coordination within large firms the hallmark of the central years of the twentieth century? If growth in the extent of the market and the rise of market-supporting institutions could undo the large vertically integrated firm at the end of the century, why could those forces not have done so earlier? Like many in the early twenty-first century, my attention turned immediately to the great crises—war, depression, war again—that made the middle years of the twentieth century stand out as anomalous. It is striking how small a role these momentous events play in Chandler's account. Yet this was not a period in which markets were functioning smoothly or in which market-supporting institutions were blossoming. Quite the opposite. Understanding the rise of the large American corporation in those middle years would require a detailed examination of the history of the period, including the roles of macroeconomic events and government policies. Although I did manage to produce something to present at the conference, it became clear that the task would demand a book not an essay.

As I began writing about the history, beginning indeed with the nineteenth century, the project began to spill over its banks. I came to understand that the history of organizational forms—for that is in the end what the book is about—cannot be understood without holding simultaneously in view the economic, institutional, and even intellectual history of American enterprise. Getting the facts right is crucial, and for this I have been able to draw on a large body of excellent work by economic historians, much of it quantitative. Although it has long been a staple of organizational sociology that public policy mattered for the shape of business enterprise, that claim has seldom been reflected off of careful economic history. I argue that political economy mattered importantly for the history of organization, even if the story is often one with considerable nuance. Political economy certainly requires attention to economic interests, but ideas play a surprisingly large role as well. In short, what started out as a fairly narrow argument about the economics of organization has necessarily transformed into a narrative about the life and times of American business enterprise in the twentieth century. Thus, on the one hand, this book aims at a careful level of detail and tries to stick close to the empirical evidence. On the other hand, however, the book is also an attempt to write what Bernard Bailyn called an essential narrative, a compelling story that weaves together and makes sense of the technical findings and historical details.[2] The narrative seeks to be a coherent vision of the economic, institutional, and intellectual history of American business enterprise in the twentieth century, and perhaps even of the twentieth century itself.

The project also spilled beyond its banks for reasons beyond the internal logic of the argument itself. The twenty-first century is now presenting us with many of the same issues that America faced in the previous century. A handful of what were once the small disruptive firms of the late twentieth century have grown to resemble, in many minds at least, the giants of the early and middle twentieth century. Yet today's public policy debate is poorly informed—and sometimes misinformed—by history. Although the book considers political economy in its widest sweep, one central vein is antitrust policy, which it confronts not only with the facts of business and economic history but also with the history of ideas. The book ends with an epilogue that tries to put the past century in perspective and to draw lessons from it, including lessons for present-day big-tech antitrust.

Even before the COVID-19 pandemic, this project was something of a solitary enterprise. But, of course, it necessarily drew on earlier work that benefited from legions of discussants and commentators. The fundamental theoretical ideas, and some of the historical ones, evolved during my long collaboration with Paul Robertson, who also offered some useful (and challenging) criticisms of early versions of the manuscript. Especially in later chapters, I was able to draw on the large number of industry studies I worked on over my career, many of them in the context of projects orchestrated by Richard Nelson, whose influence throughout the book should be clear. Part of chapter 8 was informed by work with Ed Steinmueller in one of these Nelson projects. I wrote parts of the book in Johannesburg, where I was a visiting Distinguished Professor at the University of the Witwatersrand for several years. My thanks to my friends and former students Giampaolo Garzarelli and Rim Limam for their hospitality and support during these stays. Participants at the 2014 Milan conference, especially Steve Usselman, offered a number of helpful comments and ideas. Chapter 2 was presented at the 2016 Boston conference of the World Interdisciplinary Network for Institutional Research. I thank the participants, especially Richard Adelstein, for helpful comments. Amitai Aviram and Derek Johnson also provided valuable comments on chapter 2. Nicolas Petit gave me helpful comments on the epilogue. I have benefited greatly from an organization (and virtual discussion group) called the Dynamic Competition Initiative, organized by Nicolas, Bowman Heiden, Thibault Schrepel, and David Teece. I also benefited from wide-ranging conversations with Asli Colpan about the larger issues of the corporation. Along with Randall Morck and the late Takashi Hikino, Asli introduced me to the phenomenon of business groups, which became an important thread in this narrative. I hasten to add that none of those mentioned above should be blamed for anything I say in the book. I would like to express my deepest appreciation to Joel Mokyr, who believed in this project and did much to make it possible. His comments and those of four anonymous referees were crucial in helping me edit and restructure the manuscript. Joe Jackson and the staff at Princeton University Press made the publication process a painless one, even as supply-chain issues made it a long one. Anne Sanow provided intelligent and meticulous copy editing. Finally, my thanks to Nancy Fox, who helped keep me sane, or at least some approximation of sane, throughout most of the project.