

POSTSCRIPT



Were the Nineteenth-Century Big Businessmen “Robber Barons”?

The field of business history can be divided into three major interpretations: (1) the robber baron or anti-big business viewpoint; (2) the entrepreneurial statesman or pro-big business account; (3) the organizational or bureaucratic functional framework that deems irrelevant the robber baron and entrepreneurial arguments.

The robber baron interpretation emerged from the muckrakers of the Progressive Era (1897–1917) who were critical of the immoral methods used by businessmen such as J. J. Hill, John D. Rockefeller, and Andrew Carnegie to gain control over the railroads, the oil, and steel processing industries. The book that did the most to fix the stereotype of the late nineteenth-century businessman as a predator was Matthew Josephson’s *The Robber Barons: The Great American Capitalists, 1861–1901* (Harcourt Brace and World, 1934, 1962). He admitted that “large-scale production replaced the scattered, decentralized mode of production; industrial enterprises became more concentrated, more ‘efficient’ technically and essentially ‘cooperative’ where they had been purely individualistic and lamentably wasteful.” While this may have been a good thing, Josephson argues that the negatives far outweighed the positives. Ultimately, he concluded, the “extremes of management and stupidity would make themselves felt. . . . The alternations of prosperity and poverty would be more violent and mercurial, speculation and breakdown each more excessive; while the inherent contradictions within society pressed with increasing intolerable force against the bonds of the old order.”

Josephson’s view was challenged by the new group of business historians who emerged in the 1940s and 1950s, but they were isolated from mainstream historians so that some form of the “robber baron” interpretation continued into the high school and college texts through the 1960s. New left historians such as Gabriel Kolko’s *The Triumph of Conservatism: A Reinterpretation of American History* (Macmillan, 1963) kept it alive as he blamed big business for the militarism, poverty, and racism that still existed in the 1960s.

In 1981, Howard Zinn, a socialist, Marxist, and an activist historian wrote *A People’s History of the United States* (HarperCollins, 1980, 1999). The book became an instant success and sold over a million copies. In one of the ironies of history, it made Zinn, the anti-business Marxist, a millionaire. Upon his death in February 2010, at the age of 87, *A People’s History of the United States* climbed to number four on *The New York Times*’ paperback nonfiction bestseller list.

Zinn’s chapter, reprinted as the first reading, is self-explanatory. He details all the arguments used earlier by Josephson and Kolko. He believes

that big businessmen led by Rockefeller and Carnegie worked hand in hand with the financier J. P. Morgan who functioned as a quasi-Federal Reserve System before it was created in 1913. Morgan's banking house financed numerous mergers and controlled most of the boards of these corporations through the "interlocking directorates" of Morgan's officials who staffed the pools and trusts that held the stock.

Professor Zinn also believes that both political parties, the Congress and Presidents Cleveland and Harrison, fought over such non-important issues, such as the tariff and Cleveland's mistresses and illegitimate child, and ignored important issues such as the low wages, poor housing, and horrible safety issues for the working class. In Zinn's view, the state militia, the courts, the churches, and even the education system, both colleges and high schools, were designed to produce executives for the corporations and workers for the factories. In short, Zinn's view of American history, especially this period, is very depressing. Critics have faulted Zinn's interpretation as too one-sided and lacks the diversity of viewpoints, especially divisions between small and large businessmen and small and large farmers, the pressures put upon Congress, the Justice Department who staffed the Antitrust Division in charge of enforcing the Sherman Act, and the members of the Interstate Commerce Commission who were supposed to regulate the railroads.

The Josephson-Zinn interpretation did not go unchallenged. The Harvard Business School in the 1930s and writers such as the famous journalist and popular historian Allan Nevins, whose two-volume biography of John D. Rockefeller in 1940 and rewritten in 1953, stressed his positive attributes. Rockefeller was not a robber baron, maintained Nevins, but an entrepreneurial statesman who imposed upon American industry "a more rational and efficient pattern." He and others like him were motivated not by wealth but by competition, achievement, and the "imposition of their will over a given environment." Had it not been for men like Rockefeller, the industries that developed in steel, oil, textiles, chemicals and electricity gave us such a competitive advantage that we were able to win both world wars in the twentieth century.

The two interpretations came to a head in 1954 when the *Saturday Review* published the enlightened article "Should American History Be Rewritten? A Debate Between Allan Nevins and Matthew Josephson," vol. 37 (February 6, 1954), pp. 7-10, 44-49. See also Hal Bridges, "The Robber Baron Concept in American History," *Business History Review*, vol. 32 (Spring 1958), pp. 1-13, and Maury Klein's critique of Josephson, "A Robber Historian," *Forbes* (October 26, 1987). John S. Gordon's chapter in Carnegie and Rockefeller's *An Empire of Wealth* is the antithesis of Zinn. An independent scholar who has written numerous books and articles, especially for *American Heritage*, Gordon extols a highly positive view of the men of big business. He stresses the innovations in production and organization as well as the new technologies that Carnegie used, for example, when he brought to America from Scotland the Bessemer steel process used to refine steel into iron ore. Gordon definitely takes the pro-business stance. He argues that monopolies in the private sector, want to maximize profits, not their prices, "It is simply a myth that they will raise prices once they have the power to do so." For example, as Standard Oil became the

sole monopoly in the oil industry, "prices for petroleum products declined steadily, dropping by two-thirds over the course of the last three decades of the nineteenth century."

Critics of Gordon and the entrepreneurial statesmen point of view challenged Gordon's rosy picture of development and question whether workers could have been paid a living wage, and provided a clean and safe working environment and at the same time have produced a creative and dynamic economy.

The third school of business history was the organizational school. Led by Alfred D. Chandler, Jr., this view avoided the morality tale between robber barons and entrepreneurs and stressed how large-scale corporations vertically organized themselves with departments that stretched from production, accounting, marketing, sales and distribution. Key to Chandler's view was the importance of the new national urban markets that had developed by 1900. The best place to start with Chandler is "The Beginning of 'Big Business' in American Industry," *Business History Review*, vol. 33 (Spring 1959), pp. 1–31.

Chandler almost single-handedly reshaped the way in which historians write about corporations when he employed organizational theories of decision making borrowed from the sociologists and applied them to case studies of corporate America. For example, see *Strategy and Structure: Chapters in the History of American Industrial Enterprise* (MIT Press, 1962); *The Visible Hand: The Managerial Revolution in American Business* (Harvard University Press, 1977); and *Scale and Scope: The Dynamics of Industrial Capitalism* (Harvard University Press, 1990). Chandler's most important essays are collected in Thomas K. McCraw, ed., *The Essential Alfred Chandler: Essays Toward a Historical Theory of Big Business* (Harvard Business School Press, 1988). For an assessment of Chandler's approach and contributions, see Louis Galambos, "The Emerging Organizational Synthesis in Modern American History," *Business History Review* (Autumn 1970) and Thomas K. McCraw, "The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect," *Reviews in American History* (March 1987).

Chandler's critics have complained that he ignored the role of the individual entrepreneur in developing particular industries. In "Entrepreneurial Persistence through the Bureaucratic Age," *Business History Review*, vol. 51 (Winter 1977), pp. 415–43, Professor Harold C. Livesay tries to reconcile an organizational and entrepreneurial approach via case studies of Andrew Carnegie, Michigan National Bank President Howard Stoddard, and Henry Ford II and his post-World War II revival of the Ford Motor Company. Two important articles examine the main currents in business history today. Mary Klein, "Coming Full Circle: The Study of Big Business since 1950," *Enterprise and Society*, vol. 2 (September 2001), pp. 425–460, contrasts the broader external approach pushed by Professors Thomas C. Cochran and William Miller, *The Age of Enterprise: A Social History of Industrial America*, revised ed. (Harper & Row, 1961) with the internal bureaucratic approach of Alfred Chandler. In a very detailed and sophisticated article useful for history majors with a business emphasis, see Naomi R. Lamoreaux, Daniel M. G. Raff, and Peter Temin, "Beyond Markets and Hierarchies: Toward a New Synthesis of Business History," *American Historical Review* (April 2003), pp. 404–433. The authors argue

that some of Chandler's vertically integrated corporations lost control of their markets in the 1980s and, therefore, more flexible frameworks needed to be developed to explain current and past behaviors of corporations.

Biographies of the titans of industry remain popular with the general public. The authors are sympathetic to their subject. See Joseph Frazier Wall, *Andrew Carnegie* (Oxford University Press, 1970); Harold C. Livesay, *Andrew Carnegie and the Rise of Big Business* (Little, Brown, 1975, 1990); James T. Baker, *Andrew Carnegie: Robber Baron as American Hero* (Wadsworth, Thompson Learning, 2003); Ron Chernow, *Titan: The Life of John D. Rockefeller, Sr.* (Random House, 1998); Jean Strouse, *Morgan: American Financier* (Random House, 1999); Robert Sobel and David B. Sicilia, *The Entrepreneurs: An American Adventure* (Houghton-Mifflin, 1986); and Harold C. Livesay, *American Made: Men Who Shaped the American Economy* (Little, Brown, 1986).

Finally, labor historian Steve Fraser offers a critical review of T.J. Stiles, *The First Tycoon* (Knopf, 2009) in "The Misunderstood Robber Baron," *The Nation* (November 30, 2009). If Cornelius Vanderbilt, builder of the Erie Railroad, was lionized as a great entrepreneur, how much concern did he show for the thousands of workers who were killed building the railroad because they worked excessively long hours for paltry wages? See also the exchange between Stiles and Fraser in letters to the editor, *The Nation* (December 14, 2009).

