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BOOK REVIEW FORUM

Roundtable Review

Alexander J. Field
Brian R. Cheffins
Laura Phillips-Sawyer
Naomi R. Lamoreaux
Daniel M.G. Raff

Richard J. Langlois. *The Corporation and the Twentieth Century: The History of American Business Enterprise*. Princeton: Princeton University Press, 2023. 816pp. ISBN: 978-0-691-24698-7, $50 (cloth).

In 2023, Princeton University Press published Richard Langlois's *The Corporation and the Twentieth Century: The History of American Business Enterprise.* It is a book of comparable mass to Alfred Chandler's 1977 *The Visible Hand* and equally ambitious.[1] The erudition is vast. (The bibliography alone runs 78 closely-printed pages. There are 122 pages of equally closely-printed footnotes to the 522-page main text whose own font is not large.) A production such as this seemed worth more than the usual traditional-form reviews, and in the September following its publication, the Penn Economic History Forum put on a symposium to discuss it. Interest was widespread: attendance in the room was agreeably substantial and came from far beyond the seminar's usual catchment area, and there were requests for the Zoom link to the proceedings from around the world. (The expense was not vast and the ratio of impact to expense was almost certainly favorable relative to ordinary seminars. The economic history community might not suffer from putting on more such events when suitable occasions arise.)

Five of the six commentators at the Penn event submitted written versions of their remarks. The commentators were selected in hopes of bringing wider perspectives and expertise than one might reasonably expect of a single review author. The brief to the commentators was for constructive criticism, so readers of this collective essay should be aware that all the authors were impressed by the extensiveness of Langlois's research and the scope of his discussion. Agree with him on points of detail, interpretation, and emphasis or not, we all felt it impossible to read the book without stimulus and without seeing a sustained argument for a particular view of the facts. We have not solicited a response from Professor Langlois, feeling confident

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1. Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Belknap Press, 1977).

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that he will have an opportunity to comment on the book's reception with fewer length constraints than would be necessary here.

Remarks from Alexander Field

Richard Langlois has written a highly detailed economic history of the United States over the last 130 years, focusing on the origins, development, and perhaps demise of what Chandler called modern business enterprise (MBE). It includes a history and spirited discussion of federal antitrust policy in the country from its origins in the 1890 Sherman Act until the present day. If there is an overarching thesis, it is found most clearly expressed on p. 478: "The large integrated corporation of the twentieth century owed its rise to prominence in significant part to the eclipse of the market and the growth of state power in the Depression and the World Wars." This thesis loosely organizes the historical and historiographical material, but there are innumerable historical discussions and digressions on sundry topics.

Familiar with most of the issues discussed in this book and many of the sources, I read all 550-plus pages of narrative and most of the 120-odd pages of footnotes, to which I constantly referred, along with the reference list. I appreciated the extensive documentation, and on much of the history, Langlois gets it right. My main difficulty, however, concerns the central thesis. Chandler did not situate the rise of the large American corporation in the middle years of the twentieth century. He did so in the last third of the nineteenth century. Although institutional factors played a role in his analysis, the argument in *The Visible Hand* is primarily technological. The development of MBE as an organizational form, first in transportation and communication, then in distribution, and then, towards the turn of the century, in the commanding heights of manufacturing, was enabled by the joint availability of revolutionary new technologies in transport and communication.[2] The concurrent development and diffusion of the railroad and the telegraph—the 'Siamese twins' of commerce—made available for the first time fast and reliable service in both transportation and communication, twenty-four hours a day, all year long. This was a watershed development in US economic history, creating new exploitable opportunities with significant implications for the ways in which businesses could be organized and structured.

Chandler did allow a subsidiary role for public policy, in particular, antitrust, which he credits with encouraging the great merger wave: The evolution of policy made interfirm contracting restraining trade much more vulnerable to challenge than the internalization of transactions through merger and/or backward or forward integration. Court decisions indicated that coordination between legally separate companies would not be tolerated but would be permitted within an enlarged firm. All of the consequences of this, however, at least at the federal level, must have been experienced after 1890, by which time MBE was already well established as a successful organizational form.

2. Chandler *op. cit.*; Alexander J. Field, "Modern Business Enterprise as a Capital-Saving Innovation," *Journal of Economic History* 47:2 (1987): 473–485.

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Langlois argues that "It was the destruction and suppression of well-functioning markets … that gave relative advantage to managerial coordination of large multiunit enterprise" (8). Yet MBEs were born and initially developed in the last third of the nineteenth century. If market suppression was then occurring, it was businesses for the most part that were responsible, the result of their successful efforts to restrain trade, which in turn gave rise to antitrust legislation. Some of the MBEs did, in fact, deliver large benefits to customers, employees, suppliers, as well as shareholders, but some focused on exploiting monopoly and monopsony power for the principal benefit, frankly, of owners. Big business is Janus-faced in this regard. Antitrust policy has long recognized this reality and struggled with it.

Langlois' focus on the drivers of changes in business organization is institutional, and, as his title suggested, his focus is on the twentieth century. Since MBE was well established prior to the Sherman Act, and certainly so by the late 1920s, the Depression, the New Deal, and World War II can have played little role in its origin. Certainly, the second quarter of the century strengthened the institution, but it did so on an already well-established base. The concept of state power is used in the book in a highly impressionistic fashion, as are claims about variation in its strength. The 1920s do not fit well into a narrative of rising state power. During the Depression, regulatory efforts increased, but federal government spending was a small fraction of GNP, and the military (at least the Army) had shrunk greatly. The National Recovery Act was out of the picture by 1935. Federal power was probably strongest during US participation in World War II, but that was for a period of less than four years. The latter part of the nineteenth century, when MBE originated, is generally viewed as a *laissez-faire* age in which owners consolidated huge fortunes with little government effort to restrain extremes of inequality.

To its credit, the book is written in a moderate and generally nonideological tone, and Langlois provides extensive and often admirably fair treatment of the work of authors writing from a variety of viewpoints. That said, there is an aura of what one can call market fetishism that periodically wafts over the narrative. What this means is that the book includes statements and argumentation that are simply asserted without sufficient development of their logic or evidentiary foundation.

Langlois seems to take it as self-evident that allocation of finance by private banks is necessarily superior to that by firms using retained earnings. Contemplating the assembly and disassembly of conglomerates in the 1960s, 1970s, and 1980s, a process which, while enriching its facilitators, generated no apparent net benefit to the economy, might lead one to support this view. That is, until one considers the record of the US financial system in creatively financing the housing boom of the early 2000s, laying groundwork for the financial crisis and the effective insolvency of most of the large and many of the smaller banks in its aftermath.

Another instance: Cartel behavior and predatory pricing are described as "shaky concepts" (451). The concepts are not shaky. The incentives to cheat on a cartel agreement do not mean such cooperation necessarily disintegrates instantaneously. Cartels break down except when they do not. Firms sometimes cut prices to drive competitors into bankruptcy, or buy competitors just to shut them down, with the intention in either case of enhancing their market power. These things happen.

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The logic of what firms were doing with unconventional contracting is lovingly described; firms are constantly being roughed up by an incoherent antitrust policy. Although different perspectives are given their due and mostly treated fairly, an overwhelming leitmotiv is one of overbearing government control, smothering the growth of delicate corporate flowers. To be fair, Langlois is at pains at several places in his book to indicate that his methodological allegiance is to Coase, not so much to Stigler or Becker, whose methods Coase derided as blackboard economics. But this position is not followed consistently.

The book references both the corporation and the twentieth century and aims to be not just a definitive history of the corporation in this period but an economic history of the United States at least over the last century. Langlois has read widely in the secondary literature. But his narrative includes some questionable analysis and multiple factual errors of varying importance. Space constraints limit my discussion to claims made about World War II, but the most important points are as follows.[3]

Channeling Hayek, Langlois writes that "the priority division immediately slammed into the hard reality that allocating resources through a priority system is impossible even in wartime when everything can be measured in principle against a single unified objective … the division could never possess the kind of detailed knowledge necessary to understand even the first order implications let alone the higher order ramifications of his decisions" (117). In support of his skepticism about the merits of administrative coordination, the author references an essay in which Abba Lerner argues that the United States should have made more use of the price system in producing munitions and prosecuting the war. It is hard to tell how serious Lerner was or whether he was just trying to be provocative.[4] To my mind, the alternative of trying to proceed without a priority system or some kind of scheme to control the allocation of critical materials, with no controls on what could and could not be produced, would have been disastrous.

War mobilization entailed and required sudden and radical changes in the product mix. Permitting the continuing production of passenger vehicles in an uncontrolled economy as spending on ordnance ramped up, for example, would have resulted in huge increases in the prices of inputs such as steel, copper, aluminum, and rubber, with windfall profits, yet little to show in the form of increased supply. In the case of rubber, the Japanese cut off 97 percent of the raw material source. Given the inelasticity of supply, simply allowing the price of natural rubber to rise without limit would have provided little additional quantity. In manufacturing, private firms were loath to expand capacity in the face of temporarily surging demand during a war that was expected to last a few years at most. It would have been a fool's errand to elicit the production of B-29s simply by offering higher and higher prices to private firms, given the expected length and duration of the production runs.

At one point, Langlois argues that firms resisted subcontracting because it exposed them to the risk that strikes in supplier firms would disrupt their supply. Later in the book, and in apparent contradiction, Langlois reports that Pontiac contracted out 173 of the 196 components

3. For an extensive treatment, see Field, *The Economic Consequences of U.S. Mobilization for the Second World War*. (New Haven: Yale University Press, 2022).

4. Abba Lerner, "Design for a Streamlined War Economy," *History of Political Economy* 45:4 (2013): 623–645.

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in manufacturing the Oerlikon antiaircraft gun … and Plymouth used 2,000 subcontractors to make Bofors antiaircraft guns (299–300). Even Ford eventually yielded to the necessity of subcontracting in building B-24s. Blackboard economics may suggest the possible plausibility of a mechanism, but we need evidence to be persuaded that it actually mattered.

Some concluding remarks are in order. There is a great deal in this volume that is critical of government policy at all levels. Businesspeople are helpless, struggling in a roiling sea of changing and incoherent government policies, sometimes managing briefly to come up for air and create something wonderful for their customers. One can reasonably question whether this is an accurate portrayal of the American business environment over the last thirteen decades and the opportunities for profit it has offered. There is little criticism of the actions of private businesspeople or their consequences.

The book is testimony to a prodigious amount of reading—and writing. There remain important questions, however, about the overall thesis and the degree to which the narrative provides convincing support for it. The demise of MBE is alluded to in the last line of the narrative: "… the twentieth century has witnessed the end of the large managerial corporation as a centerpiece of American life" (551). But is this really true?

Economies of scale and scope, as well as the allure of market power, continue to conduce toward bigness where it can be achieved. Advances in information technology and software have made it easier to outsource functions that previously would have required in-house personnel. But whether this represents, has caused, or is reflective of a "rebirth" of the market, let alone the decline of government power, is questionable, particularly in light of the continued references on the right to the oppressive power of the "deep state." The large tech companies that now dominate the economy may have their headquarters in Silicon Valley or Seattle rather than the East Coast, but they are multidivisional firms run by layers of salaried managers. One should not mistake the senescence or disappearance of some of the original MBEs, the result of structural change in the economy, with the demise of the new organizational form that Chandler first identified.

Remarks from Brian Cheffins

Richard Langlois sets the bar high in terms of goals with his book. The title says it all. The reader who completes the book should know what needs to be known about "The Corporation and the Twentieth Century," especially with the book taking up more than 800 pages. The author does not shy away from the implications. The subtitle is "*The* History of American Business Enterprise," implying this is going to be the definitive work on point.[5] In the main body of the book, he says it provides "a detailed and nuanced history of the corporation in the twentieth century" (23). He adds in the preface that the book seeks to offer "a coherent vision of the economic, institutional, and intellectual history of the American business enterprise in the twentieth century" (x–xi).

5. Langlois, *The Corporation and the Twentieth Century*, emphasis added.

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The author, having set the bar high, fails to clear it fundamentally—his book falls a long way short of offering a fully rounded picture of the twentieth-century American corporation. The "nexus of contracts" model of the corporation, which emerged in the 1990s as the dominant intellectual construct in corporate law and remains influential today,[6] can be drawn upon to make the point. The author has criticized the nexus of contracts model, most recently in a 2019 essay.[7] Regardless of the exact merits of the nexus of contracts approach to corporate law, it does underscore a major gap in the author's book.

While what is also referred to as the "contractarian" model of the corporation has had a substantial impact on corporate law theorizing, economists launched this mode of analysis. Traditionally, economists treated the business enterprise, typically referred to as a firm, as a "black box" that simply operated to maximize profits. In the 1970s, the situation changed as economists began to look inside the firm. A much-cited 1976 article by Michael Jensen and William Meckling achieved fame partly due to their characterization of the firm as "a nexus for contracting relationships."[8] Their view, elaborated upon subsequently by other economists and by law professors such as Frank Easterbrook and Dan Fischel,[9] was that the internal organization of business enterprises is the result of voluntary transactions that market forces do much to shape. This means market dynamics involving key corporate constituents, such as shareholders, employees, and creditors, do much to define what corporations are about.

From a contractarian perspective, the sort of definitive history of the corporation that *The Corporation and the Twentieth Century* claims to provide should offer fully drawn characterizations of core corporate constituencies. That is very much lacking. Key corporate actors instead make merely fleeting cameo appearances.

Consider initially workers. There are numerous references to labor in the index to *The Corporation and the Twentieth Century.* Still, until the final chapter's analysis of the pressure international competition put on the workforce as the twentieth century drew to a close, the book focuses on labor's role in the production process rather than identifying what employees had at stake in the corporate context or discussing workers' influence over managerial policy. Noted economist John Kenneth Galbraith referred to labor as a key source of countervailing power in the corporate realm in mid-twentieth-century America.[10] There is little sense of that in *The Corporation and the Twentieth Century.*

With respect to corporate creditors, the book addresses at various points the regulation of the banking industry. What is ignored pretty much entirely is debt's role as a mechanism to finance corporate activity. For instance, in a fleeting reference to high-yield "junk bonds," a key 1980s corporate finance innovation, the author only mentions the role they played in

6. Brian R. Cheffins, Advanced Introduction to Corporate Governance Law and Regulation (Cheltenham, UK: Edward Elgar, 2024), 25.

7. Langlois, "The Corporation is Not a Nexus of Contracts: It's an iPhone," in eds. Francesca Gagliardi and David Gindis, *Institutions and Evolution of Capitalism: Essays in Honour of Geoffrey M. Hodgson* (Cheltenham: Edward Elgar, 2019), 142.

8. Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics* 3:4 (1976): 305, 311.

9. Eugene F. Fama, "Agency Problems and the Theory of the Firm," *Journal of Political Economy* 88:2 (1980), 288; Frank Easterbrook and Daniel R. Fischel, *The Economic Structure of Corporate Law* (Cambridge: Harvard University Press, 1991).

10. John Kenneth Galbraith, *American Capitalism: The Concept of Countervailing Power* (Boston: Houghton Mifflin, 1952 [rev. ed. 1956]), 128.

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fostering a takeover wave in corporate America (423). He does not acknowledge that junk bonds were used primarily to expand or rebuild firms rather than for acquisitions,[11] and, as such, "empowered entrepreneurs"[12] "who previously would not have had access to the capital markets."[13]

Another potentially crucial corporate actor, the board of directors, receives similarly cursory treatment. Directorships investment bank J.P. Morgan had in client companies in the early twentieth century are briefly mentioned, and there is a Galbraith quote disparaging boards (99, 409). But that is about it. For those aware that corporate legislation allocates managerial control to boards,[14] this is a potentially striking omission. One would assume, given the crucial formal role with which boards are vested, that an ostensibly definitive treatment of the American corporation in the twentieth century would canvass boards at some length. It is actually appropriate that boards do not get top billing because they delegate much of their managerial authority to corporate executives, whom the book does discuss at length. Still, while it is understandable that *The Corporation and the Twentieth Century* gives executives the limelight rather than directors, readers who might wonder why this happens are simply left to guess.

While not giving boards top billing can be justified in a supposedly definitive treatment of the American corporation, there is a striking instance in *The Corporation and the Twentieth Century* where more really should have been said about directors. The book summarizes a dispute between Henry Ford and the Dodge brothers regarding Ford Motor Company's dividend policy that led to a 1919 decision of the Michigan Supreme Court, in which the court famously ruled against Ford on the basis that directors breach duties they owe to their corporations if they fail to seek to run their corporations in the interests of shareholders.[15] The author says nothing about that holding, intimating instead that Ford's approach would deliver substantial benefits for the car company over the long haul (122). That indeed may be a correct assessment of Ford's business logic, but the failure to discuss the court's view on corporate purpose underscores a striking omission in the book—the author never indicates in more than 800 pages in whose interests corporations are run, widely understood in the United States to be the shareholders.[16]

With respect to shareholders, the author does acknowledge their importance in passing, implicitly endorsing in so doing the contested proposition that shareholders are "owners" of corporations when he writes in relation to the running of companies "that ownership structure changes incentives" (503).[17] Shareholders and corporate ownership structure, however, are then only analyzed fleetingly.

11. Glenn Yago, "Ownership Change, Capital Access, and Economic Growth," *Critical Review: A Journal of Politics and Society* 7:2–3 (1993), 205, 216.

12. "Junk Bonds Finally Face the Acid Test," *Business Week* (November 16, 1987), 64.

13. Felix Rohatyn, *Dealings: A Political and Financial Life* (New York: Simon & Schuster, 2010), 166.

14. See, for example, *Delaware Code Annotated*, Title 8, § 141(a).

15. *Dodge v. Ford Motor Co.*, 170 N.W. 668 (Mich. 1919).

16. On whose interests corporations are supposed to be run, there is a voluminous literature on point readers of this essay can reference.

17. On shareholders as "owners" of corporations, see Brian R. Cheffins, *The Public Company Transformed* (New York: Oxford University Press, 2018), 27–30.

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The author mentions a separation of ownership and control in large firms that Adolf Berle and Gardiner Means popularized in a famous 1932 book,[18] correctly noting that this separation did not actually take hold fully until after World War II.[19] A reader, however, will struggle to get any real sense of who shareholders in publicly traded firms were or what they did to influence corporate activity. For instance, the institutional shareholders (for example, pension funds and mutual funds) that came to dominate share ownership of large companies in the late twentieth century are canvassed in a single paragraph dealing with the 1950s (394).

When the author actually talks about shareholders, this creates problems of its own. The author discusses at various points pyramidal business groups. As the author correctly recognizes, minority shareholders in this type of corporate structure are potentially vulnerable to exploitation by what he refers to as "apex owners" exercising disproportionate control self-servingly (62). The author acknowledges, again correctly, that multilevel business groups posing a danger in this regard are prevalent globally but rare in the United States (60). But he argues additionally that the situation used to be different domestically, indicating that the "pyramidal holding company" "was widely feared and ultimately suppressed in the United States" (60). This claim is misleading.

To find out where the author went awry, it is necessary to clarify the nature of corporate groups. One possibility is that a group is comprised of wholly-owned subsidiaries of the "parent" company that is at the apex. With this sort of corporate group, what is lacking as compared with a fully-fledged corporate pyramid is any subsidiaries traded on the stock market where the parent company holds a sizeable stake.[20] Corporate groups comprised solely of wholly-owned subsidiaries can be intricate, but there are no minority shareholders the parent company can possibly exploit. This can be contrasted with a true corporate pyramid, where numerous subsidiary companies are publicly traded, and the parent company can exercise substantial *de facto* control over each with its large voting stake and potentially take advantage of minority shareholders in the publicly traded subsidiaries in so doing.

The author appears to assume that the latter type of corporate group was common historically in the United States. This assumption is erroneous. Fully fledged corporate pyramids were commonplace in the utilities sector in the opening decades of the twentieth century.[21] As the author correctly notes, the 1934 Public Utility Company Holding Act ultimately ended this arrangement (223). However, the author intimates that corporate pyramids with publicly traded subsidiaries were a meaningful feature in other industries, with tax reforms in the mid-1930s undercutting this arrangement.[22] This is incorrect. Outside the utility sector in early twentieth-century America, there were numerous holding companies, but where they were at the apex of

18. Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New York: Macmillan, 1932).

19. Langlois, *The Corporation and the Twentieth Century*, 184–185, 409, 418–419. On the chronology, see Cheffins 2018: 48–51.

20. Steven A. Bank and Brian R. Cheffins, "The Corporate Pyramid Fable" *Business History Review* 84:3 (2010), 435, 448–449.

21. *Ibid.*, 453–455.

22. *Ibid.*

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corporate groups, the strong preference was for subsidiaries to be wholly owned, not publicly traded.[23]

The author might protest in response to the foregoing critique that he was not writing a book about shareholders, employees, creditors, and boards. But this counterargument is not persuasive. The author, as mentioned, has cast aspersions on contractarian analysis and indeed wrote about it in depth as far back as 1989.[24] So, the idea of looking at corporate constituents to understand what is really happening with corporations will be well-known to the author, and he offers no explanation why his take on the corporation is so limited when a reader would have reasonably anticipated a much more fully developed account. Also, remember the high bar the author set himself—his book is ostensibly a definitive treatment of the twentieth-century American corporation. With 800 pages to work with, it is striking how little he says about key corporate constituents and corporate purposes.

A reader of this review essay might be wondering how the author managed to fill up 800 pages while sidestepping so much that is important about corporations. The book does discuss at length managerial hierarchies versus markets and makes various intriguing points in so doing. The book also contains a lot of twentieth-century history in which corporations played a role—the author even suggests in the preface that the book offers a history "of the twentieth century itself" (xi). It is beyond the scope of these remarks to discuss how this claim stacks up. With respect to corporations, however, there are serious gaps that will require a reader to look elsewhere if they want a fully rounded picture of the twentieth-century American corporation.

Remarks from Laura Phillips-Sawyer

The Corporation and the Twentieth Century is a wide-ranging economic history, rich with historical detail and economic evidence. Richard Langlois, a distinguished economic historian, should be praised for the clarity of his argument and the skill with which he weaves many stories together into a coherent whole. This is an ambitious book, which seeks to reframe how historians have characterized the ebb and flow of American capitalism across the long twentieth century. Though nuanced, Langlois's main argument is straightforward. He argues that, generally, output is maximized—and greater productivity is achieved—when a spontaneous market order is facilitated by a largely unregulated price system, wherein the structure of firms (and thereby, the economy as a whole) is determined by transaction costs and little else. Building on the microeconomic theory of Frederick Hayek, Ronald Coase, and Oliver Williamson, Langlois brings together an impressive compendium of secondary sources to present a thoroughly neoclassical economist's history of twentieth-century capitalism by focusing on how productivity has been achieved. His goal is to weigh "the relative costs of alternative organizational forms" (5), the purpose of which is to inform our future policy decisions.

There is much to admire and learn from a book that takes on complex causal arguments across both time and space. Indeed, this was the point of the Penn Economic History Forum

23. Bank and Cheffins, "The Corporate Pyramid Fable," 450–452.
24. Richard N. Langlois, "Contract, Competition, and Efficiency," *Brooklyn Law Review* 55:3 (1989), 831.

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symposium, and my comments form but one part of that larger whole. They focus on the history of economic regulation, economic thought, and legal history, particularly as they have developed across the history of antitrust law and policy. From this perspective, which necessarily deploys an interdisciplinary approach to studying business, economic, and legal history, it is refreshing and inspiring to see such an ambitious project.

Yet, for many historians of regulation, two key issues may arise with Langlois's framing and argument. First, what might we overlook by focusing on output maximization? What would happen if we expanded the frame and, alternatively, asked about human flourishing? Secondly, does Langlois's argument commit the same error that he accuses the Chandlerian paradigm of committing? Namely, does it reveal a preference for regulating the economy—let alone the political economy—that may obscure a richer, more contested terrain of regulatory motivations and possibilities, both then and now? These overarching questions have informed my review.

The Corporation synthesizes and builds upon decades of Langlois's work, which has pushed back against conventional business and economic history regarding the rise of large-scale American corporations through the long twentieth century. Writing in 1977, Alfred Chandler's *The Visible Hand* captured the scholarly field with his reorientation of business history away from "great man" histories of entrepreneurs, titans of industry, and robber barons. Instead, Chandler argued that the great innovation that sparked a revolution in American productivity was the rise of professional managers. In the late nineteenth century, "the supervision and control of American business had shifted decisively away from the individual entrepreneur and had become the function of teams of trained and specialized professional managers" (1). For Chandler, those professional managers successfully capitalized on the technological advancements in transportation, communication, and production methods, which had upended older ways of doing business. The modern business corporation—the large manager-run multinational corporation—could better routinize and standardize high throughput production and lower costs by controlling the distribution chain. In other words, they brought more activities into the firm and out of market contracting.

Without a doubt, Chandler transformed business and economic history, and also the fields of management and strategy taught in business schools, by providing both a cogent analysis of the internal workings of multidivisional firms and a metanarrative for understanding twentieth-century American capitalism. Like Langlois, Chandler wanted to explain rising productivity and, indeed, economic hegemony. However, Chandler's singular focus on the managerial structures of the firm and the force with which he argued that the multidivisional firm was necessarily a superior form of business organization left much room for criticism. Indeed, doing business or economic history has subsequently required engagement with Chandler's narrative in one way or another.

One line of critique has focused on Chandler's failure to engage with legal history, in particular, the law and regulations that structured internal corporate governance or business-to-business interactions. A related critique has offered an important corrective to Chandler's focus on large-scale firms as drivers of innovation. Scholars such as Philip Scranton and Gerald Berk have argued that small and independent businesses, in fact, have remained important drivers of innovation and productivity, particularly specialty or batch and bundle production methods. Building on that line of revision, these and other scholars have emphasized the political desirability of self-ownership or nondomination in the workplace.

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Langlois adapts aspects of both of these strands of critique and elaboration of the Chandlerian paradigm in order to refute Chandler's metanarrative regarding "the inherent superiority of conscious management over market prices in the face of high throughput production" (4). For Langlois, however, "conscious management" as an analytical category includes legal rules and regulatory policies. And when their purposes fall outside of maximizing productivity, these too appear as impediments to growth. The book's focus remains on how market mechanisms, such as market prices and contractual privity, have been either suppressed or liberated and, thusly, effected alternative organizational structures to managerial capitalism. Indeed, he argues that market transactions are a superior organizational form of resource allocation, leaving Chandler's multi-divisional firm a "second best" (8).

Antitrust law plays a central role in *The Corporation and the Twentieth Century.* Not only does antitrust law shape how firms compete against one another in the marketplace but it also delimits their choices for vertical (dis)integration, horizontal mergers, or conglomerate expansions. Given Langlois's main argument that thick markets have produced the most efficient business arrangements, his antitrust story focuses on the importance of vertical restraints—contracts used through the distribution chain to determine any number of price or nonprice stipulations. As Langlois explains, this area of economic regulation has changed dramatically over the course of the twentieth century, often without statutory intervention. In short, these types of restraints have moved from nearly always illegal to presumed legal.

Langlois's story of antitrust law through the long twentieth century is largely a familiar one in antitrust scholarship and business history, though perhaps less so in mainstream history. His is an account sympathetic to the historical storytelling and the analytical methods of Chicago law and economics, which embodies a preference for markets over regulatory control.

Briefly, the Sherman Antitrust Act of 1890 prohibits contracts, combinations, and conspiracies in restraint of trade (that is, cartels and cartel-like activity) as well as monopolization and attempts to monopolize markets. Initially, courts struggled to implement the antimonopolization provisions. But, just as Chandler emphasized, the judiciary did implement anticartel rulings, which encouraged consolidation as firms tried both to avoid prosecution and capture greater efficiencies. These early rulings also targeted labor unions and farmer cooperatives, coordinating against the market power of large-scale buyers, as well as independent proprietors vying for market share in a consolidating retail sector. Each of these groups used horizontal coordination to exert control over vertical distribution arrangements.

The political response to these anticartel rulings—against both horizontal and vertical control—galvanized legislative support for the Clayton Act of 1914, which prohibited certain business practices that "may" "lessen competition" and exempted laborers from antitrust liability. Laborers, however, struggled to enforce those rights until the New Deal era. Farmers and small businesspeople secured statutory exemptions as well—each predicated on the procompetitive benefits of managing competitive markets through partnerships with state oversight. Those benefits included protecting workers' right to organize in their self-interest, specialty producers' ability to protect brand names through distribution contracts, and farmers' cooperative agreements that affected supply and prices. (I would add that this shows that achieving low prices was part of the mix, but it was not the sole purpose of the law.)

But those were the exceptions that proved the rule. For Langlois, the history of federal antitrust policy shows how the judiciary's antitrust rulings often made it difficult, if not

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impossible, for industrial firms to deploy complex contractual arrangements through the distribution chain or to expand by way of horizontal mergers. Thus, through the 1960s, "a weak selection environment [persisted] in which ineffective structures and practices, including those driven by antitrust policy and industry-wide unionism, could endure unchallenged. It was also—not coincidentally—during this period that the power of managers reached its apex" (20–1).

That old order unraveled in the 1970s, and antitrust law—alongside financial deregulation and liberalized international trade flows—played a critical role in that story. Although Congress did pass some legislation (such as the Consumer Goods Pricing Act of 1975, which repealed antitrust exemptions for vertical price restraints, and the Hart-Scott-Rodino Act of 1978, which created premerger agency review), it was the judiciary that implemented the seismic changes in antitrust law. Enforcement agencies and private litigants brought suits for violations of the law, but ultimately, judges interpreted and applied the law.

Within that common law approach, as Langlois recounts, the courts and the agencies began to adopt a more narrow *economic* understanding of the antitrust laws' purpose. (This insight has its historiography on the left, lamenting the turn as antidemocratic. Alan Brinkley leveled this criticism at Thurman Arnold's Justice Department of the late 1930s, which the legal scholar Spencer Weber Waller has echoed. More recently, Elizabeth Popp Berman has adopted the argument as well, though she takes aim at Donald Turner's Antitrust Division in the 1960s.) What changed, according to Langlois, was the refinement of economic ideas, especially by scholars coming out of the University of Chicago. Libertarian-leaning law and economics scholars reframed industrial concentration and barriers to entry as less threatening than previously imagined and, "perhaps more importantly," they argued that "the nature and function of complex interfirm contracting, especially vertical contracting," could be procompetitive (479).

Thus, as this conventional narrative goes, the continued refinement of antitrust economics, coupled with the economic downturn of the 1970s, paved the way for reduced antitrust scrutiny of all kinds of restraints that were once considered anticompetitive. This included vertical nonprice and price restraints in distribution agreements, exclusive dealing contracts forward and backward through the supply chain, and (to a certain extent) tying contracts, which require the purchase of a second item in order to buy the primary good or service. The final chapter of the book then describes how vertical contracts were important to Silicon Valley's "modular system" of collective innovation with regard to the development of the personal computer and related technologies (489). Then, the pinnacle of these developments has been "disintermediation," wherein digital platforms seemingly remove intermediaries or bottlenecks. Thus, in the "New Economy" of the late twentieth century, firms have increasingly turned to capital markets rather than retained earnings, outsourcing rather than vertical integration, and subcontractors rather than employees.

While Langlois deftly places regulatory change in its macroeconomic context and demonstrates how business strategies responded, the book's focus on maximizing economic productivity neglects the ways in which economic regulations often embody other intents and purposes. Take, for example, post-World War II antitrust law and policy. Rather than dismissing postwar structuralism as entirely wrongheaded for failing to maximize output in every case, perhaps we should historicize its relationship with concerns for democratic accountability.

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The 1945 case *U.S. v. Alcoa* cannot be fully understood as simply a domestic monopolization case; Judge Hand was also concerned about the market allocation schemes carried out by an international aluminum cartel. The 1950 Celler-Kefauver Act emboldened agencies to block mergers of seemingly tiny market shares in markets that showed a trend toward consolidation. Postwar law and policy reflected a worldview rooted in the experiences of the Great Depression and world war, and postwar judges and policymakers approached market power and exercises of it with suspicion, or what Robert Bork would call "inhospitality." Tax, patent, and labor laws reflected these concerns as well.

While there have been procompetitive efficiencies achieved by vertical contracting facilitating thicker markets (and diminishing the need for vertical integration), today antitrust law may be failing by its own standards to catch anticompetitive behavior. Compare two uses of vertical contracts. In the 1920s, Brandeisian "fair trade" advocates of vertical restraints intended to protect independent proprietors from consolidation, which they viewed as critical to political decentralization and meaningful democratic participation. Today, powerful retailers and platforms now deploy such contractual restraints and sometimes with anticompetitive effects; however, it is more difficult to identify and prosecute such effects. For example, Amazon uses similar price restraints through "most favored nation" clauses with sellers on its platform. Such clauses can impede downward price adjustments across retail establishments and diminish retail competition. However, as vertical restraints have become, as Judge Richard Posner opined in 1981, treated as closer to *per se* legal, it is increasingly difficult to bring suit at all. As a result, as Michael Carrier has shown, over 90 percent of antitrust cases are rejected at the first step of inquiry, meaning that we never hear a procompetitive defense offered by defendant firms. To my mind, this is problematic insofar as antitrust law is aimed at achieving efficiency-enhancing results, but an even larger problem arises when our law fails to fulfill its mission as a regulatory watchdog—it may embolden executives to act with a disregard for the law or democratic accountability entirely.

A great strength of *The Corporation and the Twentieth Century* is that Langlois asks not only what economic and technological forces structured the internal organization of America's most productive firms but also what legal rules structured the market itself, and thereby delimited business strategy and structure. This brings him to the conclusion that by the "late twentieth century, market-supporting institutions, including financial markets, had developed to such an extent that they could underpin a far more decentralized way of creating and administering even high-throughput production and distribution" (6). Thus, unlike Chandler, central to Langlois's thesis is uncovering the legal and regulatory structures that have been necessary to building and maintaining a well-functioning, thick market.

Yet, vertical contracting has not removed the sources of market power or the potential for its anticompetitive exercise; it has simply relocated that power and made it more difficult for existing regulatory frameworks to manage. The refinement of economic ideas, particularly in transaction cost economics, certainly helped advance legal rules that have promoted greater efficiencies through market exchanges. However, newer learning has identified anticompetitive effects, which current law makes difficult, if not impossible, to prosecute. Moreover, just as Louis Brandeis argued over a century ago, the ramifications are surely not only economic but also political. Unwinding Chandler's large, managerial corporations in favor of a nexus of

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contracts approach to governance has decentralized accountability, but not economic power, and regulatory frameworks have not caught up. And regarding the political, I wonder, as I write in late January 2025, if entrenched economic power will ever permit it, or if that power will be wielded against the public under the guise of industrial policy and nationalism—seemingly the neglected, and ironic, political byproducts of this triumph of output-maximization across regulatory domains.

Remarks from Naomi Lamoreaux

Recently, there has been a surge of big books about business and economic history. Richard Langlois's *The Corporation and the Twentieth Century: The History of American Business Enterprise* is, of course, one of them. Another, published around the same time, is J. Bradford DeLong's *Slouching Toward Bethlehem: An Economic History of the Twentieth Century*.[25] DeLong's is the lighter weight of the two—literally about a pound and a half lighter. Because it was written with the aim of reaching a popular audience, it lacks the scholarly apparatus of extensive footnotes and references that makes Langlois's book so heavy and so valuable. Langlois's is the book that scholars of the era will come back to again and again—both for its comprehensive coverage of the history and for its copious references to the literature. Nonetheless, I found it thought-provoking to read Langlois's work alongside DeLong's, and so my comments on the former will be informed by this juxtaposition.

Although DeLong's book covers the global economy while Langlois's focuses on the United States, both put the rise of the large American corporation at the center of their histories, and both structure their narratives around the same series of events—World War I, World War II, the Great Depression, the globalizations of the late nineteenth and early twentieth centuries, and the recent Great Recession. In DeLong's case, this focus on what Fernand Braudel called the level of "*événement*" is a distraction that prevents him from developing his "long *durée*" argument that the world was pulled out of the "dire poverty that had been humanity's lot for the previous ten thousand years" by the "triple emergence of globalization, the industrial research lab, and the modern corporation" (1). In Langlois's case, however, the detail is the essence of his argument. Indeed, the central goal of the book is to critique the more Braudelian interpretation offered by Alfred D. Chandler, Jr. in two other massive business histories: *The Visible Hand* and *Scale and Scope*. Chandler, like DeLong, argued that there was a significant break in world history in the late nineteenth century. So long as the movement of goods and raw materials depended on "the energy provided by horse, man, wind, and current," the scale of enterprise necessarily remained small. But everything changed with the coming of the railroad. The resulting increase in the speed of transportation made possible the "steady high volume, or throughput, needed to achieve and maintain potential economies of scale or scope." It also enabled the managerial hierarchies that would coordinate the flow of inputs

25. J. Bradford DeLong, *Slouching Toward Bethlehem: An Economic History of the Twentieth Century* (New York: Basic Books, 2022).

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and outputs administratively and become "a source of permanence, power, and continued growth" in the economy.[26]

Langlois recognizes that Chandler was on to something when he argued that the coming of the railroad "fomented an organizational revolution" that replaced coordination by the invisible hand of the market with coordination by the visible hand of management. But, unlike Chandler (and DeLong), he does not see the long, twentieth-century dominance of the large corporation as following from the "inherent superiority" of administrative coordination (5). Rather, Langlois argues, this dominance resulted from a specific set of "contingent" circumstances that delayed the inevitable shift to a more decentralized, more market-driven economy. In his view, the twentieth century's "great catastrophes of war, depression, and war" differentially advantaged the large corporation. In addition, government policies ("notably but not exclusively in the forms of regulation, antitrust, intellectual property, and industrial policy") reinforced those advantages and insulated big business from the forces of change (7).

Langlois's chronologically organized chapters examine these events and policies in painstaking detail. The discussions are interesting and informative, but Langlois does not connect them in any explicit way with his overarching argument. Instead, he effectively lets the detail speak for itself, as if it were enough to demonstrate the point. But it is not at all self-evident that in the absence of these circumstances and policies, the large corporation would have been less dominant. The Standard Oil Trust jumped from about 4 percent of the domestic petroleum market to about 90 percent during the 1870s by ruthlessly pressing the advantage it derived from railroad rebates. Would new competitors have emerged in this industry without the federal and state interventions that made such policies illegal, prevented Standard from operating in Texas and Kansas, and broke the company into pieces?

In his last chapter, "The Undoing," Langlois describes the decline of the giant managerial corporation in the late twentieth century. Deregulation and the rise of global competition, he argues, enabled market forces to reassert themselves, and the economy reverted to a more "natural" state of decentralization. But here again, Langlois does not explicitly connect the dots. He does not explain why the adverse macroeconomic shocks of the late twentieth century should operate to the disadvantage of large-scale businesses, whereas earlier shocks had given them an edge. Nor does he explain why government policies that had reinforced big business dominance for most of the century would suddenly have the opposite effect.

Some time ago, Daniel Raff, Peter Temin, and I sketched out a very different explanation for the rise and fall of the large managerial corporation that, like Chandler's account of the rise, did not depend on the *événements* of the twentieth century.[27] The pattern, we argued, resulted from the interaction of two long-term trends: the fall in transportation and communications costs and the rise in per capita income. At first, the two trends interacted in ways that encouraged the rise of large firms. As transportation costs began to fall with the spread of the railroad, firms found there were advantages to concentrating production in large plants

26. Chandler, *The Visible Hand*, 8; Chandler, S*cale and Scope: The Dynamics of Industrial Capitalism* (Cambridge: Harvard University Press, 1990), 53; Fernand Braudel, trans. Siân Reynolds, *The Mediterranean and the Mediterranean World in the Age of Philip II* (Berkeley: University of California Press, 1995).

27. Naomi R. Lamoreaux, Daniel M.G. Raff, and Peter Temin, "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History," *American Historical Review* 108:2 (2003): 404–433.

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that could exploit economies of scale. At the same time, rising per capita income meant that consumers could aspire to purchase durable goods like cars, and there was money to be made by mass-producing these goods to make them more affordable. As per capita income continued to rise, however, consumers wanted, and could afford to buy, more differentiated goods that expressed their individuality. That and the continued fall in transportation costs, which allowed production to be located almost anywhere, advantaged smaller, more vertically disintegrated firms that were able to respond nimbly to changing consumer wants. Although this analysis could explain why giant corporations might dominate their markets for most of the century and then lose ground by the century's end, we thought it would be a serious mistake to extrapolate these trends into the future. And our caution seems to have been well placed. As new network-based technologies have given important sectors of the economy a winner-take-all character, giant corporations have again attained positions of dominance.

Moreover, it is possible that *événements* mattered as well. DeLong believed that the great leap forward in material wellbeing that the giant business corporation made possible inspired reformers to push for policies that would further economic and social equality. Reformers achieved some successes by the mid-twentieth century; levels of income inequality reached a nadir in the 1950s and 1960s. However, this achievement, in turn, led to worries that these kinds of interventions would be worse than counterproductive—that they would kill the golden goose that had brought such great advances. Hence the tax cuts and deregulation of the 1970s and 1980s. DeLong represents the underlying political forces at work as a struggle between the ideas of Karl Polanyi on the left and Friedrich von Hayek on the right, and he offers no reason to believe that one side or the other will ever triumph. Although Langlois claims that we have "witnessed the end of the large managerial corporation as a centerpiece of American life" (p. 551), it seems more likely that the shift toward Hayek in the late twentieth century helped to spur a resurgence of market power by large corporations in the early twenty-first century, which in turn has stimulated a Polanyian reaction in the form of a revived antimonopoly movement. The cycle continues.

Remarks from Daniel Raff

What should count to mark the age of the corporation (or perhaps of Chandler's "modern business enterprise") being over? For a discussion of what seems in an economic historical context (as opposed, say, to a cultural history one) ultimately to be a claim about incidence, weighted or otherwise, the text before us is curiously short on statistical evidence. But even briefly contemplating this thought suggests a further one.

Langlois's historical vision is vastly more fine-grained than that of Michael Jensen in his widely noticed and somewhat—but only somewhat—nuanced 1989 *Harvard Business Review* paper "The Eclipse of the Public Corporation."[28] But they seem similar in spirit. Jensen is now gone and Jensenism has been in retreat in policy circles in recent years. It is therefore only natural to frame my observation slightly differently and to ask, in the spirit of the Lamoreaux-Raff-Temin paper referenced above, "What were those corporations really good for and have

28. Michael C. Jensen, "The Eclipse of the Public Corporation," *Harvard Business Review* 67:5 (1989): 61–73.

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economic ecological niches favoring such capabilities really diminished into insignificance or actually disappeared?" Or has the environment changed such that the relative size of those niches—their carrying capacity, so to speak—changed without their significantly disappearing? If that has indeed happened, the cross-sectional incidence of incorporation would change without the institution disappearing in any meaningful sense.

In the *Review of Economic Studies* published just shy of half a century ago is a still elegant and illuminating paper by the late Martin Weizman called "Prices vs. Quantities."[29] The paper examined, in the sort of stripped-down model characteristic of the Massachusetts Institute of Technology (MIT) school of the day, the choice between prices and quantities as instruments of control in simple systems. (Comparative economic systems was still an economics subfield, and Weitzman still taught and thought about it, so the Gosplan and its spawn were almost certainly on his mind as much as more Western settings for the question, such as optimal instruments for pollution control policy.) The force of the analysis as it bears on Langlois's subject is that when coordination is the most important concern, control via a quantity-setting system generally yields better results. Langlois takes Adam Smith's idea that the division of labor is limited by the extent of the market very seriously and he presents the "modern" corporation as a response to situations in which there is not enough potential activity to sustain a market-based price system coordinating the value chain. But what this tells us is that if you want to find sectors and segments where administrative control will still seem attractive relative to price signals, you should look for settings in which effective, relatively precise coordination matters a lot. It's not as if these no longer exist. Standards-governance, whether *de jure* or *de facto*, certainly may wax in some domains in some periods. But not in all by any means, and it may also wane. I wish the book contained more discussion in such an analytical vein.

He should, of course, write his own book and not the book that others might have. But that wish on my part may have deeper intellectual roots. The book's bibliography is vast, reflecting energetic reading, enormous persistence, and by the standards of economists, near omnivorous intellectual tastes. It cites Naomi and me, with many of our coauthors, generously. It cites the work of our friend and sometime coauthor Peter Temin too. But it makes no reference at all to our paper with Peter, which appeared twenty years ago in that obscure venue the *American Historical Review* and that paper is highly cogent to the book's overarching theme.[30] I do not care about being cited or not as such; and I do not imagine Naomi or Peter does either. But some history of ideas concerning that paper may offer some helpful framing for thinking about his larger argument.

From a methodological perspective, the main contribution of our paper was the idea of anti-Whig, or forward-looking, history.[31] This was basically the idea that the proper, and in particular not systematically biased, way to write the history of evolving systems is to avoid writing self-consciously from the perspective of some particular later moment in the system's development, giving an account of how the system's past had to lead up to that point but rather to regard historical actors as embedded in some set of particular concrete circumstances trying

29. Martin L. Weitzman, Martin L, "Prices *vs.* Quantities," *Review of Economic Studies* 41:4 (1974): 477–491.

30. Lamoreaux, Raff, and Temin, "Beyond Markets and Hierarchies," *American Historical Review*.

31. See also Naomi R. Lamoreaux, Daniel M.G. Raff, and Peter Temin, "Against Whig History," *Enterprise & Society* 5:3 (2004): 376–387; and, more foundationally, Daniel M.G. Raff, "How to Do Things with Time," *Enterprise Society* 14:3 (2013): 435–456.

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to move forward in time knowing only what they knew then, facing all the uncertainties they would have had then, and having to make up their minds what to do (or refrain from doing) in the environment which confronted them, with all its affordances and opportunities and all its constraints, uncertainties, and unknowable. Of course, some or all of the latter might change over time, and the unbiased way to track the evolution of the system and the possibilities for path-dependency latent in this picture is to track the sequence of outcomes and further moments of decision in the context of such changes.[32]

In the context of debates within business history, part of what was interesting about that paper was its timing. It was published more or less simultaneously to an equally striking paper by one Richard Langlois in *Industrial and Corporate Change*, which still seems to me to embody a different view, one which, twenty years on, I think survives in a much more elaborated form in the book under discussion here. Langlois's line in his paper was different from ours. Our paper represented a reframing of Chandler's story and so did his, but where ours was at least structurally agnostic about the future, his was not. He saw Chandler's "modern business enterprise" as a transitory phenomenon, in a sense almost an evanescent one, an organizational form which did once flourish but only in a sort of anomalous interim between periods in which markets and prices were the dominant modes of coordination. He still seems to.

And yet, and yet. While the book clearly reflects such a view, the reflection seemed to me as I read on to be like that of a mirror made with the old sort of wavy, slightly distorting glass you still sometimes encounter in old enough houses. In the text before us, environments—external and policy—seem to matter more and to exercise more influence in a path-dependency sort of sense than they once did. He still seems to think that the market and fragmentation eventually inevitably undo the large corporation's hegemony; but he now also seems to think that this path can be much more complicated and erratic than it once seems to me to have appeared to him. How far do these qualifications go? I find myself wondering whether his view is now as distinct from ours as what is given in his bibliography and what is omitted might suggest.

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32. I use cognates of the word "bias" here intentionally; the point is a narrow statistical one as well as a broader methodological one. The "Advanced Information" press aid for the 2000 Economics Nobel Prize ("The Scientific Contributions of James Heckman and Daniel McFadden," available at www.nobelprize.org) gives, in its section on Heckman's work, a relatively nontechnical overview of the problem and Heckman's pathbreaking work addressing it.

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