
This is an extremely important book. It is not exactly a history book. It is rather an extended review essay by a leading organizational theorist presenting his views on various debates on the emergence and development of American capitalism in the nineteenth century. In doing so, he surveys some of the most important recent historical research on the period. He draws on Phil Scranton’s Figured Tapestry (1989) and Proprietary Capitalism (1983), Cynthia Shelton’s Mills of Manayunk (1986), and the unfortunately as-yet-unpublished dissertation of Zehra Gumus-Dawes, Forsaken Paths (2000), in comparing the different organizations of the textile industries in Philadelphia and Boston. He then turns to Charles Sellers’ Market Revolution (1991) to discuss the role of lawyers as agents in the modification of incorporation law in the early part of the century, well before the emergence of any large corporations. Next he shifts to a discussion of the emergence of regional and national railroads in France and Great Britain, drawing on the work of Wolfgang Schivelbusch’s Railway Journey (1986) and Frank Dobbin’s Forging Industrial Policy (1994). In an interesting contrast to those working in the tradition of Oliver Williamson, for whom “in the beginning there were markets” Perrow pointedly begins his analysis in France, where in the beginning there was a state, and the state knew how to run a railroad (and it ran through Paris). His discussion of the contrasting case in the U.S., where the railroad was national (and consequently large), privately owned, and virtually unregulated, draws on the research of a previous generation of classic economic history: Carter Goodrich’s Government

The central point of this survey is that another world is possible, or at least it was possible, very much along the lines of Charles Sabel and Jonathan Zeitlin’s classic article, “Historical Alternatives to Mass Production,” but infused with the passion of E. F. Schumacher’s Small is Beautiful (1973). Capitalism could have developed; industrialization could have proceeded; standards of living could have increased. All of this could have been accomplished without the creation of the large organizations which emerged at the end of the nineteenth century (let alone the mammoth global enterprises that we live with – or in – or under – today). And we would all have been better off.

Perrow argues that large organizations matter: most people’s daily lives are spent in and are shaped by large organizations. In and of itself such a statement is mere platitude, but Perrow means several, quite distinct things when he says “organizations matter.” First, he means that capitalist organizations are fundamentally different from those that preceded the emergence of capitalism: organizations are larger, and people are more dependent for their livelihood (and for consumption items), on large organizations. Perrow’s critical distinction between a society in which many people are wage-dependent
and one in which people occasionally work for someone else or take work into their home is one that all those who have worked on the transition to capitalism need to heed, but that has often been obscured in recent years in the debates over the nature of the early American economy.

Second, Perrow means that we cannot explain organizations or organizational differences solely by reference to culture. He argues that the existence of organizational variety in the nineteenth century American economy vitiates any notion that American culture was predisposed to large corporations or resistant to public limits on corporation. To the contrary, he documents (in his one, very self-conscious foray into primary historical research) that there was significant resistance to the growth of the corporation and its lack of public regulation.

Third, the emergence of large organizations concentrates control over resources into the hands of those who control the corporation and consequently concentrate power. The concentration of power – political as well as economic – undermines simplistic “survival of the fittest” arguments for the efficiency of large organizations. Organizations use their power to re-shape the rules under which all organizations, all workers, all firms, all providers of goods and services, compete. So when we see that certain forms of organization out-compete other forms, it’s not necessarily because they are making better products, providing better services, introducing better technology, or are more consonant with the existing culture. They have won because they set the rules.

His discussion of the extent of corruption in nineteenth century railroads was particularly illuminating in this regard. Most studies of corruption focus on the bribed,
the politicians whose actions are a stain on our democratic self-conception. Business historians usually ignore corruption or think of it as a cost of doing business. Perrow reasserts the agency of the corporation as the corrupter in this process, rather than the victim. He shows railroads using their substantial resources to buy legislation and court rulings that allowed them to build and control integrated, national railroads despite, for both economic and cultural reasons, the opposition of small manufacturers, small farmers, and regional railroads.

But Perrow argues that organization matters in another sense as well, namely that the particular organization of firms and industries – in different places and time – make a difference to the quality of our lives and our communities: small, community-based capitalism is better than large corporate capitalism, because it is more likely to take into account the “externalities,” by which he means the broader human and social impact, of the decisions made by capitalists than when those decisions are made by large, distant organizations. He also argues that the adoption of the corporate form and the increase in the size of the firm contributed to increases in inequality and to the concentration of wealth, so that the economic interests of capitalists increasingly diverged from those of the rest of the community.

In his assertion that organizations are determinant, he is equally critical of economic and cultural explanations of the rise of the large firm. But it is only in the strange world of academic disciplines that one could read his explanations as non-economic: at times his discussions of “organizational interests” sounds straight out of James Beard (who did not write An Organizational Interpretation of the Constitution). His arguments about culture not explaining the relatively weak American state and the
consequent strong American corporation are, I think, quite on target. But what he demonstrates is not that culture doesn’t matter. Rather, he shows that there was substantial conflict in the nineteenth century over the proper sphere of the state and its control over the corporation. This conflict took place not only in the political sphere, but also in the cultural sphere. The political victory of the large corporation was also a cultural victory, and part of the victory was the assertion of its own inevitability.

People’s belief in the inevitability of the large corporation was not necessarily based on an embrace of its greater efficiency. But the belief still was (and is) pervasive. Thus we find, Herbert Dow, founder of what was, at the time, still a small firm, writing to John Osborn, his friend and fellow investor in the Dow Chemical Company,

> The day of small manufacturing business in every line has either gone by or will soon be a thing of the past. A man can accomplish so much more when working at one thing all the while than he can when changing around from one job to another so that it gives a big concern where men do not change their jobs a big advantage. … Looking at it from another standpoint, if a little concern makes money they are bound to have an unlimited amount of competition sooner or later as there are lots of people in the country who could command enough money for a little business … who would not dare antagonize a large concern (November 3, 19003, Post Street Archives).

By dismissing the importance of culture, Perrow downplays the role of the large corporation as an agent of cultural change. The work of historians such as Angel Kwolek-Folland (Engendering Business 1994) and Pamela Laird (Advertising Progress 1998) has shown that businesses – consciously and unconsciously – shaped culture in order to
legitimate their own activity, but did so in a way that was also consonant with existing culture. Thus Lowell didn’t bring slaves to work in New England; he had boarding houses for young ladies accumulating doweries. And the new human resource departments didn’t tell men that masculinity wasn’t important; they redefined masculinity to make it consonant with a lifetime as someone’s employee.

*Organizing America* would work well in advanced undergraduate and graduate courses in economic, business, and social history. Perrow’s direct writing is sure to spark lively discussion. Its analysis is a very direct challenge to each of the major streams in contemporary business history: Chandlerian institutionalism, mainstream economic history, and cultural history. There are times when it misses its mark, but its eye is always on the important questions.

*University of Michigan*  
MARGARET C. LEVENSTEIN