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New Issues in British Business History

Business history has been a thriving academic industry in Britain for the last three decades. Following some pioneering case studies of Industrial Revolution entrepreneurs by the early giants of the discipline of economic history,¹ the postwar generation has produced a series of high quality company histories. The first of these, published in 1954, was Charles Wilson's history of the Anglo-Dutch multinational Unilever, formed by a merger of Lever Brothers and Margarine Unie in 1929.² Wilson's book set the pattern for a high standard of scholarship, resting on complete freedom of access to company archives, and for publication based on scholarly independence rather than the public relations needs of the commissioning organization. If some of its terms of reference now seem dated, and its framework of analysis somewhat unscientific, then that is an indication of the incentive Wilson provided for others to do better, particularly in the use of economic theory and of comparative analysis setting firms in their industrial or international context. Among those who have risen to Wilson's challenge, numbering perhaps half of the leading economic historians in Britain, are: Professor Barry Supple on Royal Exchange Assurance, Professor Richard Sayers on the Bank of England, Professor Peter Payne on the steel company Colvilles, Professor Peter Mathias on the retail chain Allied Suppliers, Professor Donald Coleman on the rayon multinational Courtaulds, Professor Theo Barker on Pilkingtons the glassmakers and inventors of the modern float process, and Professor Bernard Alford on W. D. & H. O. Wills, the pioneers of modern cigarette manufacture and marketing in Britain who successfully fought off the challenge from Duke's American Tobacco.³ In most

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¹G. Unwin, *Samuel Oldknow and the Arkwrights: The Industrial Revolution at Stockport and Marple* (University of Manchester Publications, Economic History Series, No. 1, 1924); T.S. Ashton, *Peter Stubs of Warrington* (Manchester, 1939); Sir John Clapham, *The Bank of England: A History, 1694-1914* (2 volumes, Cambridge, 1944).

²Charles Wilson, *The History of Unilever: A Study in Economic Growth and Social Change* (2 volumes, London, 1954). A third volume appeared later: C. Wilson, *Unilever 1945-1965: Challenge and Response in the Post-war Industrial Revolution* (London, 1965).

³Bernard W.E. Alford, *W.D. & H.O. Wills and the Development of the UK Tobacco Industry, 1786-1965* (London, 1973); Theo C. Barker, *The Glassmakers: Pilkington: The Rise of an International Company, 1826-1976* (London, 1977); Donald C. Coleman, *Courtaulds: An Economic and Social History* (3 volumes, Oxford, 1969 and 1980); Peter Mathias, *Retailing Revolution: A History of Multiple Retailing in the Food Trades Based upon the Allied Suppliers Group of Companies* (London, 1967); Peter L. Payne, *Colvilles and the Scottish Steel Industry* (Oxford, 1979); Barry Supple, *The Royal Exchange Assurance: A History of British Insurance, 1720-1970* (Cambridge, 1970).

cases the histories were written with the financial support of the companies and with complete access to archives.

In addition to this work emanating from distinguished academics, there is also in Britain a tradition of good scholarly work by company archivists, freelance historians, and directly-employed company historians. Edwin Green of the Midland Bank, Dr. W. J. Reader (the leading freelance historian), and Dr. Ronald Ferrier, whose first volume of the long-awaited British Petroleum history has recently appeared, perhaps best exemplify this parallel tradition.⁴ Company history is, moreover, alive and well in the list of forthcoming titles, and there is every sign that the younger generation of scholars is pursuing it as strongly as their seniors.⁵

Amid this variety and richness of case study material, however, there are undoubted weaknesses in the discipline of business history in Britain. In particular, progress in systematic integrative work, going beyond company history towards comparative business history dealing with wider themes, has been halting. Most business historians have clung to a tradition which, at its best, is a triumph of narrative skill, honest to the facts of the individual case, but at its worst is narrow, insular, and antiquarian. Those who have formally proclaimed their intention to study business history in a wider, internationally comparative framework with more attention to generalization and the kind of conceptual insights which Alfred Chandler has pioneered in America — like the Business History Unit at the London School of Economics⁶ — have yet to produce significant new work exemplifying this philosophy. What is available is summarized by Chandler himself, by Professor Peter Payne, and by the present author in a variety of publications of the last ten years.⁷

The reason for the virtual absence of good thematic, conceptual work can be traced to the unusual structure of the profession of economic

⁴Edwin Green and Michael Moss, *A Business of National Importance: The Royal Mail Shipping Group, 1902–1937* (London, 1982); William J. Reader, *Imperial Chemical Industries: A History* (2 volumes, Oxford, 1972); William J. Reader, *Bowater: A History* (Cambridge, 1981); Ronald W. Ferrier, *The History of the British Petroleum Company*, volume 1, *The Developing Years, 1901–1932* (Cambridge 1982). Much of the interest among companies has been generated by the Business Archives Council, with headquarters in Denmark House, 15 Tooley Street, London SE1 2PN, which is also a major source of advice on company sources for historians interested in British business history.

⁵There are, for example, concentrations of business historians at the Universities of Glasgow, Liverpool, London, and East Anglia. Among the important forthcoming works are Dr. Terry Gourvish's history of British Railways, Dr. Richard Davenport-Hines' history of the Glaxo pharmaceutical group, and the forthcoming histories of British overseas banking. Dr. Geoffrey Jones on the British Bank of the Middle East and Professor Frank King on the Hongkong and Shanghai Banking Corporation. For a preview of the latter see Frank H.H. King (editor), *Eastern Banking: Essays in the History of the Hongkong and Shanghai Banking Corporation* (London, 1983).

⁶The Unit was established in 1979 with the author as its Director. Among the projects being undertaken are Dr. David Jeremy's Dictionary of Business Biography (a prosopographical study of the social and educational origins and business careers of 1000 leading British businessmen over the last 100 years), Dr. Geoffrey Jones's study of British multinationals, the work of Sir Arthur Knight and the author on modern relations between business and government, and Dr. Jonathan Liebenau's comparison of research and development in Britain, Germany, and the United States. Recent news of the Unit's research is published in the serials *Business History* (Frank Cass and Co, London, three times per year) and the *Business History Newsletter* (twice a year, from the Unit).

⁷Alfred D. Chandler, "The Growth of the Transnational Industrial Firm in the United States and the United Kingdom: A Comparative Analysis," *Economic History Review*, volume 33 (1980); Leslie Hannah, *Management Strategy and Business Development* (London, 1976); Alfred D. Chandler and Herman Daems, *Managerial Hier-*

history in Britain. Business history has grown naturally within the structure of British universities in which economic history departments are typically quite separate both from mainstream history and from economics and the other social sciences.⁸ They have also been generally separate from business schools, though there have recently been some attempts to change that.⁹ This structure has legitimized the intellectual separation of economic and business historians and thus reinforced the tendency to insularity and antiquarianism. In recent decades there has been a welcome leavening from overseas scholars exporting new concepts and methodologies to Britain, but much of the more interesting synthetic and comparative work on British business can be read in the proceedings of international conferences rather than in indigenously produced material.¹⁰

From the larger viewpoint of understanding the microeconomic roots of the macroeconomic performance of the economy, the lack of influence from economics has been particularly pernicious. One of the major tasks of the next decade must be to relate Britain's initial spurt of economic growth in the classical period of the Industrial Revolution and her subsequent relative economic decline to the experience of individual business firms. This has been attempted casually by a few writers. Recently new historical national income accounts have given new impetus to the search for the sources of Britain's changing growth performance. The magisterial work of Feinstein, Matthews, and Odling-Smee presents a picture of historical trends of growth in GDP per head whose chronology often comes as a surprise to amateur commentators on the "British disease."¹¹

The worst performance was certainly in the period 1873–1924, when growth in GDP per man-year (at less than 1% per annum) was below that of the first three quarters of the nineteenth century. Further, if changes in the quality of the labor force are taken into account, there was in that period almost total productivity stagnation: the increase in

archies: *Comparative Perspectives on the Rise of the Modern Industrial Enterprise* (Cambridge, Mass., 1980); Peter L. Payne, *British Entrepreneurship in the Nineteenth Century* (London, 1974); Peter L. Payne, "Industrial entrepreneurship and management in Great Britain" in Peter Mathias and M.M. Postan, eds., *The Cambridge Economic History of Europe*, volume VII (Cambridge, 1978).

⁸For an explanation of the slow development of the "new economic history" in these terms, see R.M. Hartwell, "Is the new economic history an export product? A comment on J.R.T. Hughes", in D.N. McCloskey, ed., *Essays on a Mature Economy: Britain After 1840* (London, 1971). More recently, and more generally, Professor Donald Coleman has identified the separate departments as a source of weakness in the discipline in an unpublished Suntory-Toyota lecture on "The rise and decline of economic history."

⁹The London Business School and the School of Management at the University of Bath both recently announced their intention of appointing a business historian to their faculty.

¹⁰Chandler and Daems, *Hierarchies*; Maurice Levy-Leboyer, ed., *Le Patronat de la Seconde Industrialisation* (Paris, 1979); K. Nakagawa, ed., *International Conference on Business History*, five volumes (Tokyo, various dates); Norbert Horn and Jurgen Kocka, eds., *Recht und Entwicklung der Grossunternehmen im 19. und Fruhen 20. Jahrhundert* (Gottingen, 1979); L. Hannah, ed., *From Family Firm to Professional Management: Structure and Performance of Business Enterprise. Proceedings of Session B9 of the Eighth International Economic History Congress* (Budapest, 1982).

¹¹R.C.O. Matthews, C.H. Feinstein, and J.C. Odling-Smee, *British Economic Growth, 1856–1973* (Oxford, 1982).

output being accounted for by increased inputs of capital and labor rather than by increased efficiency in their use. Since then, Britain has continuously improved her performance, with her recovery producing growth rates in GDP per man-year of 1% per annum in 1924–51 (despite the trauma of mass unemployment in the 1930s followed by a higher degree of wartime labor mobilization and subsequent demobilization than in any other combatant nation). After 1951, Britain's growth rate in GDP per head rose to an all-time high of 2.4% per annum until the oil crisis of 1973,¹² when it shared the world-wide depression.

The popular picture of British decline is not, however, based on its own performance relative to its past. The crucial point is rather that many other nations have accelerated their performance even more spectacularly above what they formerly achieved. Thus, whereas before 1870 Britain's growth rate was half as much again as that of the 15 other major industrial nations of today, her ranking gradually fell, until in the period 1950–73 only the sluggish United States had lower rates of growth in output per head than Britain, while the major industrial countries averaged nearly twice Britain's rate of growth in output per head.¹³ Britain's poor performance is, then, only poor in comparison with what others have achieved, not in comparison with her own past.

New work in business history has made a small contribution to the better understanding of the period of Britain's emergence as the "workshop of the world" in its period of rapid growth relative to other countries before 1870. The search for reasons why Britain was the first industrial nation has continued, and business historians have played a part in illustrating them. Neil McKendrick's studies of Wedgwood, for example, have shown the role of cost accounting, the importance of the home market and the development of urban marketing techniques.¹⁴ The search for causes has ranged widely: the development of legal institutions, high initial living standards through protoindustrialization, the abundance of natural resources, the coastal and river transport network, and the development of financial institutions have all been advanced as triggers of industrial take-off. The stochastic viewpoint — that it was all due to the accident of the location of inventiveness, taking us back to the "great inventors" school of explanation — has also recently been aired again.¹⁵

Of equal importance to explaining Britain's take-off, however, is the problem of explaining why her early industrial growth was, by the standards of later industrializers (and despite the admiration of contemporar-

¹²*Idem*, p. 22.

¹³A. Maddison, *Phases of Capitalist Development* (Oxford, 1982).

¹⁴E.g., Neil McKendrick, "Josiah Wedgwood and Cost Accounting in the Industrial Revolution", *Economic History Review*, volume 23 (1970).

¹⁵N. F. R. Crafts, "Industrial Revolution in England and France: Some Thoughts on the Question, 'Why was England First?'," *Economic History Review*, volume 30 (1977).

ies abroad for its amazing speed), in fact so painfully slow.¹⁶ The article (below pages 175–193) by H. I. Dutton and S. R. H. Jones on innovation in Adam Smith's classic exemplar of the division of labor, the pin industry, between 1790 and 1850 provides some pointers. In addition to the problem of cyclical fluctuations inherent in the newly developing industrial trade cycle, Dutton and Jones point to the numerous imperfections in the market for innovations. They also provide evidence for the much debated Habakkuk thesis on the more rapid development of machine technology in the United States.¹⁷ These and similar studies follow a distinguished tradition of approaches to the problem of innovation through business history case studies, showing beyond all doubt that the neoclassical depiction of diffusion of innovation as a costless and frictionless process is seriously deficient.¹⁸

In the study of the post-1870 period, there are two themes in business history which stand out. The explanation of economic decline relative to other nations has itself taxed historians of firms losing market position against international competition, but there has also been some concern to examine the roots of improved performance relative to Britain's own past. The variety of changes in the business system encapsulated in the tags "Second Industrial Revolution" or "Managerial Capitalism" hold the key to both. When, in Germany and America in the late nineteenth and early twentieth centuries, new large corporations were being formed in the growth industries of the first half of the twentieth century — electrical engineering, chemicals, pharmaceuticals, and automobile manufacturing — Britain's economy was at its most stagnant. Britain's large firms were significantly smaller than those in Germany or the United States before the First World War,¹⁹ and they were slow to develop professional management, vertical integration, R & D functions, and mass production techniques. The ground was partly made up in the 1920s. Then, in the post-Second World War period, Britain developed an even more highly centralized "visible hand" of corporations, too centralized some would argue.²⁰ Nonetheless, there seems little doubt that the improvement in Britain's growth performance from the 1930s onwards, relative to her turn-of-the-century stagnation, was partly based on these changes in her corporate economy.²¹

¹⁶pp. 165–68 above.

¹⁷H. J. Habakkuk, *American and British Technology in the Nineteenth Century* (Cambridge, 1962); see also S. B. Saul, ed., *Technological Change: The United States and Britain in the Nineteenth Century* (London, 1970).

¹⁸David J. Jeremy, *Transatlantic Industrial Revolution: The Diffusion of Textile Technologies between Britain and America, 1790–1830s* (Cambridge, Mass., 1981); N. Rosenberg, "The direction of technical change: inducement mechanisms and focussing devices", *Economic Development and Cultural Change*, October (1969).

¹⁹Christine Shaw, "The large manufacturing employers of 1907," *Business History*, volume XXV (March 1983); Lance Davis, "The capital markets and industrial concentration: the US and the UK, a comparative study", *Economic History Review*, volume 19 (1966); Peter L. Payne, "The emergence of the large-scale company in Great Britain, 1870–1914", *Economic History Review*, volume 20 (1967).

²⁰L. Hannah, *The Rise of the Corporate Economy* (London and Baltimore, 1976); S. J. Prais, *The Evolution of Giant Firms in Britain* (Cambridge, 1976).

²¹L. Hannah, *Rise*; Feinstein, Matthews and Odling-Smee, *Growth*, pp. 359–65.

There are, of course, other explanations of the changing trajectory of Britain's economic growth, and business historians have played their part in analyzing these. One of the most spectacular changes in Britain's economy in the twentieth century has been her declining role as an international investor. Before the First World War Britain was in many years investing more than half of all her savings abroad: over the forty year period to 1913, 7 percent of Britain's GNP was invested overseas, much of it in portfolio investments, but a significant minority in direct investments which, on some definitions, made her a bigger overseas direct investor than the USA.²² Economists and historians have long debated whether this massive and unequalled rate of export of capital damaged the home economy. The issues are wide-ranging — for non-marginal shifts in resources for world development on that scale raise formidable problems of counterfactual analysis — but two modern schools of interpretation are emerging. On the one hand, Michael Edelstein shows that the biases in the capital market in favor of overseas issues were small or non-existent, and suggests that investment opportunities in the home economy were relatively few and unremunerative because of Britain's policy of free trade and inadequate social investment in science and education rather than because of financial market failure.²³ William P. Kennedy, by contrast, uses modern portfolio theory to suggest that financial market factors were paramount in diverting investment abroad and that investors preferred the low-return low-risk profile offered for overseas investments by the financial intermediaries rather than the higher risk but potentially higher return domestic opportunities, thus stunting the growth of new high-productivity sectors domestically.²⁴

At the moment we know too little about the risk-return profile of alternative investments or about the portfolios of individual wealth holders to discriminate effectively between these views.²⁵ Ranald Michie has, however, shown that risk capital was readily and widely available in late nineteenth century Britain, thus implicitly casting doubt on the Kennedy thesis.²⁶ It may, nonetheless, be that individual venture capitalists and other intermediaries were not always as well informed as they should have been and that institutions to improve this — such as the

²²Geoffrey G. Jones, "The expansion of British multinational manufacturing, 1890–1939," in T. Inoue and A. Okochi, eds, *Overseas Business Activities* (Tokyo, 1983).

²³M. Edelstein, *Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850–1914* (New York, 1982).

²⁴W. P. Kennedy, *Economic Maturity in Historical Perspective: A Critique of Britain's Economic Performance, 1870–1914* (Cambridge, forthcoming).

²⁵For some interesting comparisons of the nature of wealth elites, see W.D. Rubinstein, ed., *Wealth and the Wealthy in the Modern World* (London, 1980); *idem*, "Entrepreneurial effort and entrepreneurial success: peak wealth-holding in three societies, 1850–1939", *Business History*, volume XXV (March 1983).

²⁶Ranald C. Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth Century Scotland* (Edinburgh, 1981); "Options, concessions, syndicates, and the provision of venture capital, 1880–1913", *Business History*, volume XXIII (July, 1981); "The social web of investment in the nineteenth century", *International Review of the History of Banking* (1979).

German investment banks — were less able to emerge in the British institutional context. Larry A. McFarlane's study of British investment in Nebraska land 1877–1946 (pages 258–272 below) shows the richness of the sources in Britain for an investigation of the risk and profitability of particular portfolios. The 6.3 percent average dividend (see McFarlane's Table 2) for a relatively safe investment (with external benefits to the tariff-free British economy from the opening up of American agriculture in the form of lower food prices) was certainly higher than was available on mortgages in the home economy. This and other case studies of British overseas investment, of which there are many,²⁷ may eventually provide us with a sounder basis on which to judge the returns to foreign investment.

In the field of home investment, British entrepreneurs have for more than a hundred years come under strong criticism for failing to invest in modern technology. Ten years ago, in a review of some of the more simplistic of these criticisms, McCloskey and Sandberg effectively pointed out that British entrepreneurs may nonetheless have been quite rational, given the particular array of factor prices they faced, in adopting technology different from that of Germany or America.²⁸ However, William Lazonick's powerful re-examination of the case of cotton textiles (pages 195–236 below) suggests that the revisionism of McCloskey and Sandberg missed its target. While British cotton managers may have been behaving rationally in the neoclassical sense, the industry's leaders were certainly not effective entrepreneurs in the Schumpeterian sense of creatively removing the constraints on their performance. In particular, the costs of using the market mechanism in a highly disintegrated industrial structure of competing firms were such as to inhibit the adoption of ring spinning or automatic looms until much later than in America. Only in the 1960s did a major vertically integrated combine, Courtaulds, emerge to develop a clear strategy of modernization and improved productivity, thus showing that the visible hand could succeed where the invisible hand had failed. Lazonick's statement of the case is a convincing refutation of Sandberg's attempt to defend the industry's reputation.²⁹ What I find less convincing (and this is in contrast to Chandler's approach to the visible hand on which the article is explicitly modelled) is the implicit general endorsement of the superiority of the visible hand over the market and the underlying belief that adjustment at

²⁷E.g. David K. Fieldhouse, *Unilever Overseas: The Anatomy of a Multinational, 1895–1965*, (London and Stanford, 1978).

²⁸Donald M. McCloskey and Lars G. Sandberg, "From damnation to redemption: judgements on the late Victorian entrepreneur", *Explorations in Economic History*, volume 9 (1971–2).

²⁹Lars G. Sandberg, *Lancashire in Decline: A Study in Entrepreneurship, Technology and International Trade* (Columbus, Ohio, 1974). William H. Lazonick, "Competition, specialization, and industrial decline", *Journal of Economic History*, vol 41, (March 1981); "Factor costs and the diffusion of ring spinning in Britain prior to World War I", *Quarterly Journal of Economics*, vol 7, (Fall 1980); "Industrial relations and technical change: the case of the self-acting mule," *Cambridge Journal of Economics*, vol 3, (September 1979).

the margin cannot occur. Marginal adjustment may not occur, but it certainly can, and the market remains an important discipline on managers whose beliefs in the power of their own visible hands are sometimes found to be exaggerated. It was, for example, not Courtaulds which weathered the textile depression of the 1970s best, for its basic strategy took it into an area of production where competition from imports was exceptionally intense. By contrast, the medium-sized vertically-integrated firms, which had a surer sense of their marketing strategy and the market niche they could occupy against such competition did relatively well.³⁰

Britain's economic history contains rather too many examples of strategies of alleged "coordinated strategic planning" by big business, unions, or government (or some combination of them) turning into the defense of vested economic interests for the proposition that it offers a way out of economic stagnation to be presented without qualification. As Mancur Olson has shown, such vested interests are particularly powerful in countries like Britain where the established order has not recently been challenged by revolution or defeat in war.³¹ The fresh wind of competition — as deregulation of some of the more centrally planned sectors like telecommunications and transport is now showing — may be as powerful as Lazonick's visible hand in cotton in propelling a traditional economy into change. The optimum balance between the two is not one which is achieved by marginal adjustments and not one which is easy to define, but, as Chandler sees, one in which the visible hand remains subject to the discipline of the market. In America, for example, if large integrated firms did not produce efficiently, their managements lost market share:

Modern business enterprise became a viable institution only after the visible hand of management proved to be more efficient than the market in coordinating the flow of materials through the economy. Few mergers achieved long-term profitability until their organisers carried out a strategy to make such integration possible and only after they created a managerial hierarchy capable of taking the place of the market in coordinating, monitoring and planning for the activities of a large number of operating units.³²

What is true of the United States is no less true of Britain, and the extent of merger failures in both the 1920s and the 1960s shows the limitations of the visible hand in competitive conditions.³³

³⁰John A. Blackburn, "The vanishing UK cotton industry", *National Westminster Bank Review* (November, 1982).

³¹Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagnation and Social Rigidities* (New Haven, 1982).

³²Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977), 339.

³³L. Hannah, "Managerial innovation and the rise of the large-scale company in interwar Britain", *Economic History Review*, volume 27 (1974); Geoffrey Meeks, *Disappointing Marriage: A Study of the Gains from Merger* (Cambridge, Department of Applied Economics, Occasional Papers, 1977).

Both the institutional and neoclassical schools of analysis put the emphasis in explaining Britain's relative industrial failure on management, organizational, and economic factors, but increasingly overviews of the subject have suggested that a wider social and cultural perspective is required in any explanation of decline. Martin Wiener's recent study of *English Culture and the Decline of the Industrial Spirit, 1850–1980*³⁴ examines the deeply entrenched value structure of a society which never accorded high social status to businessmen and looked down on industrialization as a path not to prosperity but to philistinism. Such attitudes are, of course, not unknown in other societies, but Wiener certainly provides forceful evidence of their tenacity and depth in British culture. The article by Jonathan Boswell (below pages 237–257) shows some of the responses of businessmen to the moral environment they faced in Britain, analyzing the variations in sensitivity of firms to social objectives in an original and thought-provoking way. His model of the determinants of social sensitivity is convincing and deserves a place in the literature alongside Kenneth Arrow's interesting framework for the analysis of the compatibility of self-regulation and social objectives.³⁵

The consequences of this behavior for the performance of British business is, however, difficult to judge. It could be argued, for example, that the tendency to take monopoly benefits in the form of a quiet life rather than high profits explains a good deal of inefficiency, and the less close correlation between concentration levels and profit rates in Britain than in the U.S.A. is certainly consistent with this view.³⁶ Boswell appears to take a more favorable view of the pressure on the business system to pursue a wider view of public welfare than economic dynamism alone, though his conclusion recognizes that the British pattern of social control of business did not produce a workable "middle way" of social consensus. He blames this on the failure of the mechanisms of social control of business to develop more fully.

A similar point has been made in relation to labor. There is a large gap between the potential for planning inherent in the collectivist, cooperative, and socialist rhetorical baggage of the labor movement in Britain on the one hand, and the actual anarchic individualism inherent in labor tradition, union culture, and Labour Party practice when in government.³⁷ It is, of course, important to distinguish the rhetoric from the reality, whether dealing with businessmen or with labor.

The articles in this special issue show the vigor and variety of current empirical research in British business history by scholars in Britain and

³⁴Cambridge, 1981.

³⁵Kenneth J. Arrow, "Social responsibility and economic efficiency", *Public Policy*, volume 21, No. 3 (1973).

³⁶Leslie Hannah and John A. Kay, *Concentration in Modern Industry: Theory, Management and the UK Experience* (London, 1977), 20.

³⁷Robert Currie, *Industrial Politics* (Oxford, 1979).

abroad. On the theoretical level, a frequent theme is the inadequacy of a neoclassical framework of analysis for understanding the various points at issue: the transfer of technology, the objectives of the firm, or the decline of an industry. It is hardly surprising that Britain should be the focus of an empirical attack on the neoclassical theory or on the popularized Chicago-flavored views on the efficacy of market competition derived from it. In the last few decades of the nineteenth century and the first decades of the twentieth Britain was perhaps nearer to the ideal of the free market than any other major country at any stage in history. Transport improvements and the densely packed highly urbanized population provided a uniform national market; levels of industrial concentration were low, monopoly positions were almost unknown, and competitive pressures within the economy were strong; international trade was entirely free of tariffs; migration and capital movements were free of control; market institutions were highly developed within a well-understood legal framework; the currency and financial system were stable. It was such an “ideal” neoclassical economy which failed.