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# Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History

[Naomi R. Lamoreaux](#), [Daniel M. G. Raff](#), [Peter Temin](#)

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## Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History

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NAOMI R. LAMOREAUX, DANIEL M. G. RAFF, and  
PETER TEMIN

IN THIS ESSAY, we offer a new synthesis of American business history that aims to replace, but also subsume, the dominant Chandlerian framework.<sup>1</sup> Writing in the mid-1970s, Alfred D. Chandler, Jr., attributed the success of the U.S. economy in the twentieth century to the rise of large, vertically integrated, managerially directed enterprises in the nation's most important industries. These enterprises, Chandler argued, were dramatically more efficient than the small, family-owned and managed firms that previously had characterized the economy. Where small firms were dependent on the market to coordinate their purchases of raw materials and the sale of their output, large firms took on these supply and marketing functions themselves, using hierarchies of salaried managers to coordinate them administratively. This visible hand of management, Chandler claimed, represented such a vast improvement over the invisible hand of the market that firms that developed these capabilities were able not only to dominate their own industries but to diversify into other sectors of the economy and attain positions of power there as well.<sup>2</sup>

From the perspective of the early twenty-first century, these kinds of large-scale

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<sup>1</sup> This effort at synthesis grows out of a series of conferences we organized at the National Bureau of Economic Research. For the revised proceedings, see Peter Temin, ed., *Inside the Business Enterprise: Historical Perspectives on the Transformation and Use of Information* (Chicago, 1992); Naomi R. Lamoreaux and Daniel M. G. Raff, eds., *Coordination and Information: Historical Perspectives on the Organization of Enterprise* (Chicago, 1995); and Lamoreaux, Raff, and Temin, eds., *Learning by Doing in Organizations, Markets, and Nations* (Chicago, 1999).

<sup>2</sup> See especially Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, 1977); but also *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, 1990). For a review of Chandler's approach and the criticism that has mounted against it, see Richard R. John, "Elaborations, Revisions, Dissents: Alfred D. Chandler, Jr.'s, *The Visible Hand*

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