EHESS Lecture 1:
Culture, reading, and books as a business: Some economic perspectives on business history

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Introduction

Culture is many-faceted, but the printed word has been an important vector of its transmission for most of modern history. The history of print culture in general and the book in particular is itself many-faceted. The literature is large and growing. But economic aspects of it remain underdeveloped. Even for the early modern period, where the literature is densest, the question of how, from a commercial perspective, the artifacts accessible to scholars now in libraries private and public and in rare books collections ever made their way from the printers to someone who might have preserved them is underexplored. Oddly, this problem only gets worse in the nineteenth and twentieth centuries. There is a substantial literature on the history of publishing, mostly book publishing, in that period; but this is for the most part more history in the style of the old Chronicles than an analysis of how and why institutions of the trade changed and evolved as they did. There is even less of intellectual substance on the evolution of publishing's channels of distribution. The question of the shape of these pasts and their likely futures has become salient and indeed widely discussed in our own time (as, for example, Amazon, and electronic reading devices threaten to displace physical books and stores that sell them), though in fact thought-provoking innovation has been going on throughout the long twentieth century and has been conspicuously under way since at least the 1970s. The changes the book industry value chain has undergone and continues to go through are important both economically and in terms of outreach and services delivered. The challenge in studying them lies partly in the importance of activities and behavior taking place deep within corporate organizations, out of the sight of consumers, reporters, and commentators, present only obscurely in formal financial statements and even organization charts, but nonetheless central to understanding how and why the life of those organizations proceeded as it did. This turns out to be a challenge that can be addressed.

This talk represents the first of a series of four lectures. The lectures, which grow out of a book project, consider the economic and business history of book publishing and its channels of distribution in long twentieth century America, the largest single national market by sales. They do so in a way that enables structured speculation about the future both there and in other geographies but they are fundamentally historical in character. The lectures develop some helpful economics and management ideas and also some notions of how to do business history free of the temptations of Whig history, but they do all this in an accessible way, without technical jargon; and they do so through episodes with characters and perhaps even familiar names as well as through quantitative evidence and business process analysis.[1] (It is good to write for your colleagues; but it is even better to write both for them and for people who didn't know they might like to be drawn in.) Part of the appeal of the content I am developing lies in its consideration of culture as an industry and of culture industry firms as facing the challenges of entrepreneurship, competition, evolving demand, and the like. Part lies in the fact that academics read books, frequent bookstores (generally without thinking of them as businesses with all the challenges that implies, businesses that might or might not be robust enough to survive even with

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[1] For the locus classicus of Whig history, see Herbert Butterfield, *The Whig Interpretation of History* (London: G. Bell, 1931).

external intervention), sometimes buy whatever books they buy from alternative channels, and themselves produce some of what is being sold. The book trade is an industry to which one major potential audience is intimately related.

The series proceeds in four parts. The first takes up some preliminary matters and then turns, in the way the preliminary matter suggests, to reading as culture, books as reading matter, and the history of the book trade as the business and economic history of a culture industry. The second lecture considers retailing as an activity through the concept of inventory risk. The third lecture concerns the evolving value and potential dangers of firm-level infrastructure of various sorts. The final lecture advances the narrative, summarize and speculatively peers into the future a littles, and then circles back to the uses of business history for history and for various sorts of social science research (traditional social sciences and academic management studies as well) and to the ways social science could be useful for business history.

The irony, of course, is that I see each piece both in itself and as it advances the larger arc of argument and supports that structure. You only get the one day's material. That imposes some constraints on the architecture and exposition of each of the pieces; but I hope I have been able to make the pieces individually meaningful and adequately provocative of discussion even as they fit together to form something larger, elements in an argument perhaps not entirely visible until the end.

I want, then, to take up two subjects today. The first concerns economic history. I will begin by commenting on it from several angles, the first two possibly quite familiar but I imagine the others rather less so. This will end with some discussion of the question of what business history might be good for. I will then turn to business history as a concrete domain for economic history research. I will address a series of questions about what sort of genre of economic history this might be, what a suitable conception of firms is, how one might think about what it is to be an industry (and some alternative useful conceptions of the domain of operations), how to think about the dynamics of firms and larger groupings given all that, and how to think about competition. The remainder of the talk will concern, in the light of what precedes it, the case at hand: books as a particular product category with a history amenable to research, some conceptual infrastructure for its history, and the general problem lines of business like it raise that might be interesting to people like us.

Economics as a social science and the tasks of business history

An article about Paul Samuelson in the December 2016 issue of the *Journal of Political Economy* has had me thinking.[2] It used to be joked of Samuelson that the usual reaction of seminar audiences was that they agreed with his conclusions but really disliked how he got to them. Economic intuition was in fact important to him—Solow, his best friend and closest professional colleague, told me once that it was true of both of them that the intuitions always came first, the proofs later. But there can be no serious question that the watershed event in the

[2] The article concerns personnel actions of the Chicago Economics Department in 1946. Milton Friedman was the compromise candidate—the Department would have much preferred John Hicks. The Cowles people approved of Samuelson and the Department understood his gifts and saw clearly how influential his career would be. But they (and in particular the Knight faction, the other distinct grouping) disapproved of his Keynesianism and thought him arrogant. (He had been a precocious undergraduate in the Department; and I always had the impression his view of them was strictly complementary to theirs.)

theorization of economics, at least in America, was not *Value and Capital* or the works of Arrow and Debreu but Samuelson's Ph.D. thesis.[3] After Samuelson, theory preceded empirics, not the other way around. Theory was rigorously deductive, with assumptions made as absolutely explicit as possible. Abstraction was prized so long as inferential tractability was not sacrificed. Parsimony in modeling was good; parsimonious models that explained results in many fields were even better (though there was more of this in his thesis than in the very long aftermath).

These developments profoundly shaped economics discourse over the next half a century and more. Theorists cared more about the esteem of their theory colleagues than they did about how useful the models were to applied researchers and even less academic others. For example, enormous numbers of man-hours went, over the years, into understanding what minimal topological assumptions were required to sustain a proof of the existence of general equilibrium. There was a quality of purity to such debates. But application value did not seem to strike the debaters as any sort of first virtue.

The modern history of economic history is a very positive complement to this. Robert Fogel spent his hot youth, he once told me, on Communist Party picket lines. He said he went into economic history because he thought it might be a field in which you could tell whether an argument was right or wrong.[4] He was, in an odd way, a charismatic figure and was certainly a

[3] His teachers, the establishment of American economics at the time, knew it. The story, which I have from the research assistant of the chair of his thesis committee, runs that after he left the room in which his defense had been going on so that the committee could confer, the first question was "Well, did we pass?" Some of their names are still known, others, increasingly, mere memories. Samuelson's *Foundations* is still in print.

[4] This was a reference to the contortions Western communists went through over the evolving relations between Russia and Hitler's Germany in the 1930s and 40s, though of course it also brings to mind the show trials of the 1930s, *Darkness at Noon*, the Soviet response to the Hungarian uprising of 1956, Khrushchev's speech "On the Cult of Personality" to the 20th Party Congress, and the like. Anglophone schoolchildren who neither remember nor have any independent knowledge of any of this still remember *Animal Farm*.

galvanizing one; and it was less significant that he turned economic history firmly towards quantitative evidence than it was that he was concerned with counterfactuals, hypotheses, and tests. The hypotheses all ultimately derived from middle-brow essentially Marshallian economic theory. If you asked him, he would say that he was just a Chicago-style applied economist interested in historic events and data.

Having a theory which more or less everyone accepted, at least with no more than minor reservations, was a distinctive feature of economics among the social sciences. Theorists in the other social sciences tended to be closer to their cases and evidence and their theories less universally appealing. The disciplines felt unified much more by subject matter than by theory per se. Indeed, theory per se was not a central feature of most of them. For quite some time as the twentieth century progressed, few saw this as an unstable or in any other way unsatisfactory state of affairs. But as time passed, quantitative data became more plentiful in some fields, the computational capacity of easily accessible computers increased, and quantitative analysis because more broadly feasible, that regime did become unstable. In quite a number of social science disciplines, qualitative research and formal hypothesis-testing methods became more widespread, so-called “rational actor” models became more widely explored, and economics became more widely emulated and even envied. In some social science departments these days, and in much of that seemingly ever-growing domain, business academia, this looks like a phase transition, a passage from an antique ancient regime to a new and more scientific (more envy!) dispensation.

When you hear this account from those trained in the rational actor tradition, your first reaction should be to suspect a sort of Whig History. You would be correct. It is worth asking how economics seems among the social sciences from the perspective of a more randomly selected set of social sciences. The perspective is a rather different one from that from psychology, and the most externally conspicuous parts of sociology and (in America these days, alas) political science. In that apparently shadowy domain—apparently thought to be a Dark Continent, peopled by entire tribes of cultural primitives, however meritorious and even distinguished individuals among them might be—nothing of moment happens. But there is a thriving monographic literature, a wide variety of carefully refereed learned journals published by unimpeachably respectable academic presses and learned societies of longevity and distinction. Each year able, curious, and intellectually ambitious individuals finish dissertations, obtain jobs as assistant professors, and start the long slog towards tenure and the freedom to undertake projects of seriously daunting proportions. It is a gross over-simplification to say that these parts of the larger field are "how" rather than "why" disciplines or sub-disciplines. But such a claim is no more problematic than the assertion that the "social" part of "social science" is, without clarification or qualification, subordinate to the "science" part rather than the other way round.

Science as an activity—hard science, one might say—is about exposing robustly recurrent patterns of states of affairs in nature; and the objective, apparently frequently realizable, is to give ultimately causal explanatory accounts of what the states of affairs succeed one another as they do. The big question in the background of much social science research is whether there are such principles—such underlying laws—at work. In terms of a program for gathering empirical evidence (which is to say, in terms of identifying such laws should they exist), this question is closely related to the question of whether the relationships in question, considered as systems, have stable equilibria and can therefore be even imagined, under favorable conditions regarding the frequency of the arrival of exogenous shocks, to be generally observable in equilibrium states. To the extent that equilibria are not stable, and even if the system is one with multiple stable equilibria, the history of the system is not centrally a history of equilibria but rather, at least potentially, a profoundly path-dependent process. This is the deep sense in which "how" questions are not somehow trivial or mere intermediate steps on the way to "why" accounts.. They may be, in an essential way, formative of the answers to "why" questions.

This is particularly so in systems in which firms seek extraordinary profits. (This is, of course, what students in business schools, particularly students with an interest in the subject of strategy and very and particularly students interested in entrepreneurship.) Opportunities for earning extraordinary profits only come to firms which are in some sense or other protected from the force of direct head-to-head competition: in the neoclassical way of describing the situation, they are inside of some at least relatively durable barrier to entry. For them, the ordinary equilibrating machinery which is a central part of Marshallian economics has been short-circuited and does not work. The competitive equilibrium is not stable. In many parts of the economy, firms are more or less continuously trying to establish such positions. The history of what used to be called performance in those industries is just those efforts upside down, a view in which success for the firm is failure for the market and vice versa. The history of the industry in those terms is a history of impediments to competition and the history of firms is the history of the search, development, maintenance, and decay or decline. The central task of business history, at least from the perspective of economics and of economics-trained economic historians, lies precisely in tracing such arcs and in situating them, in whatever ways might be most illuminating, in a more primitive account of information, sense-making and ideas, mobilization, and subsequent processes within the firms and other relevant communities in question. This is an entirely legitimate branch of economic history just as developing a body of microeconomic analysis helpful in understanding the institutions and actions of firms is an entirely legitimate branch of economic theory. It is also, however, a branch that needs to proceed from a far better grounded understanding of firms than the old "theory of the firm" represents. Facts need to come first, not theoretical convenience.[5]

Business history as a domain for economic history research

In terms of traditional genres, what I have in mind looks from the outside like a firm- or industry history (or even a sectoral or comparative study such as those of Chandler and Hannah). In the American literature, the classic industry studies derive chiefly from legal proceedings, being very largely based on materials disgorged under discovery orders during antitrust litigation. Firm histories which are scholarly rather than popular derive almost entirely from public firm archives. These suffer from no less than two distinct screening procedures: first that the firm decided (and repeatedly decided) to retain, preserve, and keep in usable order traces of its past and second that decisions were made concerning what to retain and what to discard. Many firms, particularly those fearing possible future litigation, regularly destroy whatever

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[5] I treat the matter of this entire section in much greater length and breadth in Raff, *Business History Among the Social Sciences* (typescript in progress)

traces of old communications, organization, and actions they might otherwise have retained. And many that do retain traces are careful about what they keep: the archivist has some say but so too do senior executives, the general counsel, and those who, when retiring, offer up the contents of their offices.[6] Worse, corporate records that either must or as a matter of common practice are retained, such as minutes of executive committee meetings, vary widely in how illuminating they are. The generous end of the spectrum involves the background briefing documents and an account, in the minutes themselves, of the arguments put forward in whatever discussions were had. But the meager alternative just lists the date, who was present, the motions, and the vote counts. No one would confuse either on matters of substance for a representative sample from any universe of operating companies. In matters of resource allocation and general administration, however—which is where the roots of competitively valuable asymmetries may lie—they can still be quite illuminating.

How should we conceptualize the firms on which these records bear? The answer is certainly not as a black box, continuously optimizing in some entirely centralized way on the basis of information it almost surely would never possess and command over resources which is equally idealized. I would argue that a more behavioral approach is helpful.[7] In terms of governance, firms are much more political than they are like a military hierarchy (and even military hierarchies seem to be much less responsive to orders from the top than economists imagine). Similarly, much productive activity—and even the ordinary round of activity—

[6] These themes are (independently) developed in Stephanie Decker, "The Silences of the Archives," *Management and Organizational History* 8(2) (2013): 155-173.
[7] For the behavioral approach as such, see Richard M. Cyert and James G. March, *A Behavioral Theory of the Firm* (Englewood Cliffs NJ: Prentice-Hall, 1963), and the long literature deriving from it. The particulars of the perspective I am advancing owes a great deal to Richard R. Nelson and Sidney G. Winter, *An Evolutionary Theory of Economic Change* (Cambridge: Harvard University Press, 1982).

appears to be a matter of routine, often tacit (uncodified). This has two consequences of note. One is that it can be very difficult for competitors to copy what some focal firm is doing, never mind replicate the costs. (One sometimes—sometimes often—observes reverse engineering of offerings to consumers, but that is another matter.) The other is that actions within firms—actors within firms, one might well say—tend to run on familiar lines, particularly when coordination is any important element of what they are doing. The best single estimate of what any firm will do tomorrow is what it did yesterday. Actions both at the level of firms and of their aggregates tend to evolve more due to feedback than due to foresight.

When Marshall considered industries in his *Principals*, he did not take some vision of product categories as these might exist in the minds of potential consumers to be primitive: he really does not engage with the question or its potential difficulties.[8] The depth and scope of his interest in industries and firms got lost in the course of the development of microeconomic theory.[9] In the received version, markets really come before firms; and markets are defined in terms of the products being traded between firms and consumers. The idea that consumer wants might be in terms of attributes has been around for quite some time, even in a relatively formal way. But this is not how the usual analysis runs; and that runs in the direction of Bertrand and, in a pinch, Cournot. It is not clear that this is entirely helpful in terms of the perspective I am developing.

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8 The same is still true in Edward Chamberlin in his *The Theory of Monopolistic Competition: A Re-orientation of the Theory of Value* (Cambridge: Harvard University Press, 1938). This situation only really begins to change with the rise of economists assisting in anti-trust litigation, generally dated to the 1950s, when the subject at issue, with substantial financial consequences, was market definition.

9 For a more extensive sense than appears in the *Principles* of Marshall's interest in industries and firms as they actually existed, see his *Industry and Trade: A Study of Industrial Technique and Business Organization, and of their Influences on the Conditions of Various Classes and Nations* (London: Macmillan, 1923).

One might instead imagine a set of consumers (potential customers) accessible to any given firm. The firm can produce some good or service the firm might in principle desire. The firm has certain prime costs it must incur to produce the good or service. The potential customer has a maximal willingness to pay. The difference between these two is the surplus that would be generated by a sale; and how this might get divided up—between firm and customer and between firm shareholders and factors of production within the firm—is a suitable subject for analysis.[10] Customers decide on what to spend their money on the basis of some fundamental prioritization of wants and, within product categories, on the basis of how much surplus each producer offers them. This does not present a vision of simple and necessarily easily comparable outputs for sale in some relatively public sort of market. There need be no markets as such, institutional or more informal, only information about providers and surplus on offer. And there is more: while it is clear that the amount of surplus any firm chooses to offer is in part an executive decision, the production processes the firm has, however explicitly or otherwise, resourced and mastered and its supply arrangements impose a constraint on how much that can (at least sustainably) be.

One other point requires clarification. To get a complete and unbiased picture of the development of actions and institutions within the firm as well as within populations of firms, it is inadequate simply to study survivors: it is important to understand the possible courses forward that were not, for one reason or another, followed.[11] It is important to do this at the

[10] This sort of analysis is developed in a literature which started with Adam Brandenburger and Harborne Stuart, "Value-Based Business Strategy," *Journal of Economics and Management Strategy* 5(1) (March, 1996): 5-24 and has recently been surveyed by Joshua Gans and Michael Ryall, "Value Capture Theory: A Strategic Management Review," forthcoming in the *Strategic Management Journal.* For the first (and very clear) textbook-like treatment, see Stuart, *The Profitability Test: Does Your Strategy Make Sense?* (Cambridge: MIT Press, 2016).

[11] For a more extensive discussion, see Raff, "How to Do Things with Time," Enterprise & Society 14(3) (September, 2013): 435-466.

population level for simple, essentially statistical reasons: estimating relationships on the basis of a truncated sample will result in biased parameter estimates unless there is some simultaneous modeling of the selection process leading to the truncation.[12] The argument at the agent level runs in parallel: to get a full picture of why some choices persisted, it is important to know what seemed defective or dangerous about alternatives that were not even tried. There is information lost in considering only what was in the end selected: the researcher loses the sense not only of why the chosen policies were selected (whatever else, the reason wasn't their subsequent success because that hadn't happened yet) but of what their identity (which is usually to some extent a relational matter) and meaning seemed to be at the moment of choice. It is not always feasible to reconstruct this in any detail, or even to sketch it; but when it is feasible, the exercise is valuable: to the extent that management is sense-making, this is not some peripheral matter but very close to the core of the inquiry.

The picture I have thus far presented is one of almost pure opportunity for the historian. There is the usual matter of executive- and board decision-making, to be pursued in terms of what they knew and how they made sense of it, of what they took to be their alternative possible courses of action, and of what they understood to be the likely consequences. But this perspective on what firms do and how they connect with potential customers suggests scope for hysteresis all up and down the value chain, from original suppliers all the way through the channels of distribution to potential customers.[13] How are customers induced to buy (and, if

[12] See James J. Heckman, "The Common Structure of Statistical Models of Truncation, Sample Selection, and Limited Dependent Variables and a Simple Estimator for Such Models," *Annals of Economic and Social Measurement* 5(4) (1976): 475–92 and "Sample Selection Bias as Specification Error," *Econometrica* 47(1) (1979): 153–61.

[13] Indeed, it suggests that the industry, in the sense of a collection of firms selling products at a common stage of the production process, for example final goods, represents a subject with an inappropriately restricted scope: to fully

there is pricing power, to what is this due?) What are the asymmetries that together make for a compelling offering and a profitable cost position? How did they come about, what sustained them, and why, if they eventually faded, did that happen? In all of this, what is simple invention, what is simple physics (more or less inevitable engineering, at any rate), and what is standard practice, adopted whole cloth? Conversely, what wasn't? And what might have been otherwise but, perhaps for some completely contingent reason, didn't turn out that way? Long ago, Butterfield wrote that "History is not the study of origins; rather it is the analysis of all the mediations by which the past was turned into our present."[14] It is in the careful exposure and analysis of precisely such mediations that business history has something to offer to economic history (and to economists more broadly).[15]

The case at hand outside of bookselling firms (and one reflection)

I want to spend the remainder of my time today setting up subsequent discussion of events inside of bookselling firms by setting out the development, at least in outline, of the status quo ante. I will focus first on the population of potential consumers and their position to consume and then on the growth of trade institution. I will do this in two steps, first considering the mid-1920s and then changes over the years up through the end of the 1960s. The point of this exercise in scene-setting is that I will examine some individual firms, just before and then in

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understand how that evolves over time, the researcher's surveillance should include the whole of the supply chain, the channels of distribution, and the customers themselves.

[14] Butterfield, *ibid.* at 47.

[15] For a much more extensive discussion, see Raff, *Business History*.

moments of consequential decisions, in the mid-20s and just after the 60s, beginning with the next lecture.

I begin with the product and its potential customers. The book trade is moderately well-documented. There are trade directories. (These are reissued at admirably frequent intervals, though there are the usual concerns about incomplete and self-reporting of details and whether exits are captured as assiduously as entries.) Developments are easily followed in an external sort of way through articles in trade journals and, occasionally the business and general press. There have been scholarly studies from time to time (one, in the dark early days of the Great Depression, industry-sponsored and with unusual access to intra-firm records, especially financial ones). There is at least some overlap between the cultural artifacts at least still recognizable to well-read researchers and the objects of trade.

But there are problems. The most immediately striking one has an emblem in the fact that the trade does not show up as such in the government economic censuses—it is unhelpfully part of a too-heterogeneous aggregate.[16] Americans have always been a people of the word; but what this seemingly mundane fact about official government statistics signifies is that books as such were only one source of the nation's reading matter. The single best-selling book has certainly been the Bible; and the plethora of tracts, pamphlets, and magazines surely were topical and widely read in various places and times. But that said, books are significant as carriers of the high culture (whatever else). Outward aspects of the history of book retailing are accessible

[16] The always vexed problem of how to reliably measure volume, still less "output" remains.

enough. And it is, in itself, quite interesting, for reasons rooted both in the structure of its costs and opportunities and in the nature of the demand for its products.

To dig into these interesting aspects, I need to begin with the consumers and some institutional developments. The consumers are the most fundamental part of this. There are several immediately relevant facts. The first is that the population grew steadily, partly through natural increase but basically until the First World War also through essentially free immigration. The territory of the young nation is vast, even just among the contiguous states; and though there are a significant number of large cities, the Census Bureau coded more than half of the population as living in non-urban areas as late as the 1919 decadal Census. This might have been—it certainly once was—part of the appeal to immigrants, since some of the farmland was remarkably fertile agriculturally. But this population dispersion could also be understood as a problem even for physical distribution, though by the 1920s the railroad network was built out and the Post Office reached more or less everywhere with tolerable speed and efficiency. It certainly was not the most favorable environment for any distribution business with non-trivial establishment-level fixed costs; and it was hardly optimal for any business in which what retailers call "the feel of the cloth" was an important element of the purchase decision.

That said, the population growth represents a secular increase in the potential book-reading population. And the degree of dispersion can be overstated: though many lived outside of cities, there were also many more local centers of population with still substantial population in their catchment areas. Furthermore, the trend of population off the farm was under-girded by secular growth in GDP and household income, in both cases real as well as nominal. Further still, the early decades of the twentieth century were a period of increasing integration of relatively low population density areas into the national economy and into the nation more broadly. The railroad network had more or less been built out by this time but the diffusion of automobile ownership was proceeding at an almost explosive pace and the mileage of surfaced roads nearly doubled between 1910 and 1920. The same was true of the number of miles of telephone wire.[17]

All these people had at least some spare time, even the farmers (indeed, during parts of the year, especially the farmers). One naturally wonders what they did with that spare time. Their tastes in that matter might well have been influenced by their level of education. Tertiary education was relatively rare in the population through the 1920s (whence the phrase "a college boy", less a marker of age, as it might be thought now, than of a place in the income distribution and class structure, such as that was). But overall literacy rates were extremely high and high school education, very largely public and at the margin free, was, compared to other nations, unusually common. The education provided in American high schools at the turn of the century and after appears to have been more probing and extensive than is common in many parts of America now: to be merely a high school graduate in those days did not indicate any sort of lack of capacity (other than, perhaps, fiscal) or ambition.

The 1920s had macroeconomic ups and downs rather than being a single long boom. But the Great Depression, which began in late October of 1929, got more or less monotonically worse until mid-1933 and only durably began to fade with the advent of World War II, was of

[17] For these statistics and many others, see Susan B. Carter et al., *Historical Statistics of the United States: Millenium Edition* (New York: Cambridge University Press, 2006).

another character entirely. The scale of the wastage of resources all sorts was unprecedented, even in the worst of the depressions of the early 1870s and 1890s,; and unemployment and employment insecurity for those still in work during the Depression were both extreme, not just in a quantitative sense but in a psychological one as well. Reading was, on the other hand, an inexpensive pleasure (and perhaps an escape). Publishers with a heart hesitated to lay staff off, whatever the economic exigencies, for fear they and their families would face destitution; but there are reasons –some discussed in Lecture II—to think that reading was actually on the increase.

Depression-era trading conditions created major problems for publishers. These problems were not limited to the disposable income of potential customers and their potential reluctance to spend rather than save it amidst all the economic uncertainty. Trade publishing in the inter-war period was an industry of best-sellers, with the most popular new titles accounting for a wildly disproportionate fraction of sales.[18] Retail physical stores had limited display space (and limited working capital with which to fund inventory once the bills came due). There was not much serial correlation of the best-sellers' publishers from one year to the next. And there were no Harry Potter serial productions among them. As the Depression deepened in the early 1930s, publishers' representatives had increasing difficulty obtaining orders for each new season's lists when the old season's acquisitions had not sold through, a common occurrence. The institutional response to this was to offer a sort of option: stock that was not shop-worn

[18] In 1929, the top five fiction titles accounted for nearly 46 percent of publishers' income, nearly 56 percent in nonfiction. See O.H. Cheney, *Economic Survey of the Book Industry* (New York: National Association of Book Publishers, 1931) at 186.

could be returned to its publisher for up to six months after purchase in exchange for trade credit (in effect. against an order of different merchandise from the publisher, a sort of second draw from the urn of possibly saleable goods) if the trade customer would pay the freight. This proved a highly durable innovation (much to the publishers' subsequent frustration—trading conditions never got quite that bad ever again and the arrangement made it difficult to know for quite some time whether from the publishers' perspective, a shipment was really a final sale or not). And even though this initiative was thought to have made the situation better, the thirties remained generally quite meager years in the trade.

That situation did improve. Wartime seems to be good for reading: soldiers, it is well known, spend quite a lot of time waiting and civilians, when not working, want entertainment of one sort or another. Paper was rationed but the system apparently had no devastating effects. Sales seem to have increased agreeably.

As the war began to come to an end, a development with far-reaching consequences emerged. It may have been simple gratitude for wartime service or concerns about what returning servicemen would do to labor market conditions that lay behind the so-called G.I Bill that basically underwrote university fees for the demobilized soldiers and led to a large expansion in tertiary enrollments; however that may be, post-war enrollments swelled tremendously. In the short-run, all those students needed textbooks and other books to read. In the longer term, the nation got a significantly larger fraction of the population with an advanced education and sophisticated intellectual tastes and a much larger student population going forward (even before the progeny of the so-called baby boom of the immediate post-war years finished high school and proceeded to college from the late 1960s onwards. Superior (Keynesian) control over economic fluctuations and noteworthy technical progress meant that these individuals had, on average, more resources they could devote to enhancing the quality of their lives. The postwar years were attractive times indeed in which to be selling books.

Market supply behavior responded in in some innovative ways far beyond simply producing more copies of books publishers would have produced in any case. Paperback (rather than hard-cover) books had been around for a century and more but always as a sort of down-market category. Trade paperbacks emerged as a category in the course of the 1950s, also expansive publishing programs of ex-copyright classic works. The Cold War and then Sputnik and the New Frontier focused public attention on a variety of non-fiction subjects and issues and created an audience for trade books in this vein as well as for texts. The variety of newspapers and periodicals printing reviews expanded, itself a helpful push to demand.

In between the customers and the manufacturers, the channels of distribution themselves developed. It was a major complaint of the inter-war years that the country was, from the perspective of the trade, under-stored. What this meant was that stores were concentrated in placed with relatively dense populations but potential customers were far more widely geographically dispersed. Three developments starting in the 1950s began to change this picture. An enhanced pace to suburbanization grew the absolute size of urban market areas. Initiation during the Eisenhower Administration of the building of the Interstate Highway System made many less thinly-populated places more accessible. And the building of ex-urban shopping malls (privately owned multi-store retail complexes situated with good road access and parking well outside traditional downtown or town center retail districts), which had begun in the interwar years but did not really take off until the 1950s, provided locations much closer to and more easily used by suburban customers. Malls generally had two or more so-called anchor tenants of department- or general merchandise stores such as Sears Roebuck but also wanted a variety of smaller-footprint tenants. Bookstores fit both that bill and the one of giving something for parents to do while their children wandered elsewhere. Mall ownership was concentrated and these owners had a natural preference for dealing with firms they already knew. .

This was, by the end of the 1950s, already leading to a retail bookselling industry of many privately-owned independent bookstores and small local and regional chains and two national chains of mall stores.[19] The national chains had their own distribution centers but did not source solely from them; and the other stores did not do a large enough volume to do their own warehousing on any significant scale. There had been an unambiguous wholesale sector back well into the nineteenth century and it was still trading at the end of the 1950s. One could not say it had changed much technologically in the interim. The invention of fork-lifts in the late teens had increased the density with which inventory could be stored, but methods of keeping track of what was on hand and where it was to be found in any given facility did not begin to change in any appreciable way until the 1970s. There were through the 1950s three major national wholesaling firms, serving a national market, and many others serving a more regional and local clientele.[20] Only the national wholesalers had any claim to being adequately capitalized. The business of the more local wholesalers amounted to speculating on which

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[19] Book departments in traditional department stores were declining as a force in the trade as the department stores themselves were themselves by this point beginning to decline as an economic force.
[20] The American News Company was liquidated in 1957, A.C. McClurg in 1962.

recently issued titles would soon be best-sellers in a (local) state of excess demand. Relatively local wholesalers could replenish retail stocks faster than publishers could (not least because the physical logistics operations of publishers were optimized to sweeping first printings through and out rather than to fulfillment of smaller lots. They just could not ship small numbers efficiently.)[21]

The 1960s were a seed-bed of change on both the demand- and the supply sides. It is not yet difficult to recall how turbulent those years in America were politically—the civil rights movement, the riots following Martin Luther King's assassination, Black Power agitation and the Black Panthers, demonstrations, ranging from modest to massive, against the Vietnam war, the Free Speech Movement at Berkeley (and the campus's ultimate occupation by militarized-looking police) and building occupations, busts, and general strikes at other prominent universities, and violent death at the hands of the police and national guardsmen. (There was terrorist violence from the Weather Underground on the left still to come. Undergraduates today have only the haziest notion of any of this, never mind the overall picture.). There were politicians using all this to cunningly gain support from those who might disapprove if the issues were framed properly. (Some of these—Nixon and Reagan in particular—rode this on to the highest office in the land.) It is a little more difficult to recall, or at least to recall feelingly, how turbulent and more fertile and productive culturally those years were. There was a tremendous sense that the old order and authorities were no longer sufficient, that one had to learn anew and to think for oneself. There was just a great and ongoing hunger for sensation and food for

[21] The bellweather transformation of Ingram's, then an entrant into national wholesaling, began only in the 1970s. I can discuss this interesting series of events at the lecture but have no space for it in the current text.

thought. This was, if nothing else, a boon for all the culture industries, book publishing and distribution not least among them.

Hard evidence of this can be seen in a plot of the title counts in Bowker. The problem of distribution—of retailing—lay in the fact that the population was heterogeneous as well as (still) scattered. What a retailer could sell on any given day depended both on who walked in the door and how their tastes ran, on what they had on their mind (or near enough to render the mind temptable), and on what stock was on hand and on display to do the tempting. A stock sufficient to tempt the whole customer base would be much more extensive—many more copies of individual titles and a much broader set of titles—than what was actually needed in any for any particular customer, at any moment in time never mind of any extended period. So broadly merchandised bookstores tended to appear only in the central business districts of major cities and on the main drags of big university towns and similar such communities. The rest of the country got genre fiction and best-sellers, for which shops the size of mall stores were sufficient. More interestingly merchandised non-urban stores existed, but they seem in one way or another to have been subsidized by their owners, The fundamental problem might at first seem strictly one of coordination; and to the extent that is so, there might be commercial policies to address that. But it might also be (perhaps for different customers, perhaps for the same or an overlapping population) that this is to view matters too abstractly. The question might be "What draws people into a shop to discover wants they did not know they had?". If the answer to that is "Inventory that would interest them if only they could be induced to have a look and a sales staff somehow situated to know to try," it is clear that the fully articulated answer is partly inventory management i.e. just coordination but also partly a strategy to draw potential customers, somehow, into the store.

Already by the late 1950s, the variety and organization of the industry had begun to change. Publishers financed the early days of inventory, so the start-up costs of opening a store were relatively minimal. With the blossoming of title counts, the population of independent bookstores blossomed too. Some were focused on small presses, one was even a collective. The large ones were not particularly efficient; but there was an opportunity for innovation and, starting in the 1970s, one in particular seized it.

It was an interesting opportunity. Retail outlets basically disperse publishers' inventories across the landscape, each book waiting for a customer to come in and want to buy it. One understands the anxious and overdrawn Mathew Carey describing this stock to his faintly manic salesman Parson Weems in a famous letter as "Dead Capital".[22] Wholesalers might hope to aggregate demand over much larger customer bases, catchment areas. Wholesalers that could do rapid resupply might enable thinly capitalized retail stores to behave—at least with customers who would just as happily buy tomorrow as today, so to speak—as if they had much more display space and working capital than they actually did. There is an interesting point in the background here, namely that it would be unwise to write an industry history only about a single stage of the value chain. Since performance at any stage might well be complementary to the capabilities of co-operant firms at other stages, the capabilities of a firm at any particular stage

[22] Weems to Carey, March 25, 1809, in Emily Ellsworth Ford Skeel, ed., *Mason Locke Weems: His Works and Ways* 3v (New York: privately printed, 1929): 396-400.

will be sensitive to its counterparties. In general, sensible industry histories will be value chain histories.

I have been speaking of the period in which the iconic computer of the day was shape-shifting, soon no longer to be a time-sharing IBM System 360 mainframe but rather a desktop computer. At the end of the decade, an industrial laser company near what we now know as Silicon Valley was beginning to work on a device to scan bar-codes. (It went into its first commercial test in a supermarket in Troy, Ohio, in 1974. The packet of chewing gum that was scanned now sits in the Smithsonian Museum.) Unlike in Gramsci, an old world was dying but—perhaps even because—a new world was ready to be born.[23] I will turn in my next lecture to a thought-provoking innovation in the mid-1920s and then to a radically different one that started in the 1970s.

What is to come

In the second lecture in this series I will discuss the history of inventory management practices in this line of business through consideration of the innovations of three companies. The Book-of-the-Month Club started in the mid-1920s. It sold a radically restricted menu of recently published books by mail and amounted, once it settled into its mature form, to an attempt to do retailing without holding inventories. It was, financially, an El Dorado of profits. Amazon.com was initially (mid-1990s) in effect, an attempt to sell a very wide variety of books

[23] Reference to passage in *The Prison Notebooks* to follow.

to a national audience on the basis of centralized stocks and taut supply chains The Borders bookstore chain, whose heyday was the 1980s and 1990s (bankruptcy and eventual liquidation 2011) was for many years a successful attempt to mobilize information technology to manage remarkably broad inventories on a dispersed basis. In the third lecture, I will discuss the various ways that sunk investments in infrastructure and routines at these firms both helped to establish competitive advantage and undermined, sometimes fatally, the apparent ability of the firms to respond to environmental shocks and more secular environmental change. The final lecture will reflect and draw conclusions. I would be happy to sketch and discuss any of this at our meeting if it seems to be of interest.