

# *The New Colossus*

“Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History” by Naomi R. Lamoreaux, Daniel M.G. Raff, and Peter Temin, in *American Historical Review* (Apr. 2003), 914 Atwater, Bloomington, Ind. 47401.

In *The Visible Hand* (1977) and other influential works, Alfred D. Chandler, Jr., established what has been for a quarter-century the dominant approach to American business history. Chandler argued that America’s economic success in the 20th century was due to the rise of huge, vertically integrated, hierarchically managed enterprises in steel, automaking, and other important industries. Instead of relying on the market to obtain raw materials and to sell their products, the Ford Motor Company and other large firms took on the supply and marketing functions themselves—and management’s “visible hand” proved more efficient than the market’s invisible one.

Chandler’s view prevailed even as the behemoth firms he celebrated were running into grave difficulties in the late 20th century. Now, Lamoreaux, Raff, and Temin, economic historians affiliated with the National Bureau of Economic Research, offer an updated view of business history.

Chandler “provided a compelling alternative to the [then-common] robber-baron view of big business,” say the authors. But by the 1980s, “classic Chandlerian firms frequently were being outperformed, even in their core businesses, by more specialized, vertically disintegrated rivals,” such as Toyota. Detroit automakers found it hard to adapt, but firms in other U.S. manufacturing industries, particularly new ones such as computers, were at home in the new environment. Refusing to limit themselves, à la Chandler, to a simple choice between hierarchy and the market, these firms opted for an intermediate form of “coordination mechanism”: close, long-term relationships with independent parties. In the changed circumstances, this proved more effective than an approach that was either pure market or pure hierarchy.

The spread of railroads and the telegraph during the second half of the 19th century encouraged firms to take advantage of



Henry Ford created the coal-mining town of Twin Branch, West Virginia, to supply his steel mills, which in turn supported his automaking plants. Such hierarchical enterprises are a thing of the past.

economies of scale and rely on hierarchical management to control their far-flung operations. The firms' mass production of standardized goods at low cost put those goods within the reach of most consumers. By the late 20th century, however, affluence was encouraging consumers to demand a better quality of goods and more choice. Specialized firms, relying on "long-term re-

lationships" with suppliers and distributors, had the flexibility to satisfy consumers' new wants; the hierarchical behemoths did not.

That recent development doesn't signal the end of business history, the authors caution, for the "coordination mechanisms" that work well in one period "may not operate as effectively when economic conditions or institutional environments change."

## SOCIETY

# *For Better and for Worse*

"Reexamining Adaptation and the Set Point Model of Happiness: Reactions to Changes in Marital Status" by Richard E. Lucas, Andrew E. Clark, Yannis Georgellis, and Ed Diener, in *Journal of Personality and Social Psychology* (Mar. 2003), American Psychological Association, 750 First St., N.E., Washington, D.C. 20002-4242.

In America's continuing culture wars, even happiness has become a political football. Defenders of the traditional family have taken to making the case for marriage by arguing that married people are healthier, wealthier, and, yes, happier than unmarried folks. (Hold the Henny Youngman jokes!) And it turns out that researchers have been beaver away for years trying to understand what makes people happy.

Research does show that married folks are happier than others, but that may be because happier people are more likely to marry. That recognition got scholars digging deeper. One leading school of thought holds that life is really just one long "hedonic treadmill." According to this view, the propensity toward happiness is pretty much established by genetic predispositions and personality. A walk down the aisle—or any other uplifting event—may lead some people to a spell of bliss, but before long they're their old selves again. In other words, people have a happiness "set point." (Actually, researchers don't often use the word *happiness*; they speak instead of "subjective well-being," or SWB.)

It's a good theory, but it misses a lot, contend Lucas, a psychologist at Michigan State University, and his colleagues. They analyzed data from a 15-year study of more than 24,000 individuals living in Germany during the 1980s and 1990s. The subjects were regularly asked to indicate how satisfied they

were with their lives, using a scale from 0 (totally unhappy) to 10 (totally happy),

For the 1,761 participants who married during the study and stayed married, wedlock, *on average*, provided only a very small long-term boost, a tenth of a point uptick on the authors' 11-point scale. After an early lift, the bloom came off the rose in about five years. That average result seems to lend support to the treadmill theory, but, the authors say, it masks great variations. Many people ended up much happier over the long run than they were before they were married—and many ended up a lot less happy.

In general, say the authors, "people who were less happy to begin with got a bigger boost from marriage," and the boost lasted.

On the other hand, the death of a spouse has a lasting and marked effect. It took eight years, on average, for widows and widowers who did not remarry to approximate the level of well-being they felt while married.

The authors conclude that a sort of "hedonic leveling" takes place with the married and widowed states. Those most satisfied with their lives before marriage don't get as much of a lift from being married as the lonely and somewhat dissatisfied. And the most satisfied husbands and wives lose the most when their spouses die. As those widows and widowers know all too well, much more than just good genes and an upbeat personality are needed for happiness.