UNDERSTANDING MARKETS: INFORMATION, INSTITUTIONS, AND HISTORY

Conference at the Hagley Museum and Library in Wilmington, Delaware, October 30–31, 2009. Co-sponsored by the GHI Washington and the Hagley Museum and Library. Conveners: Hartmut Berghoff (GHI Washington), Roger Horowitz (Hagley Museum and Library), Philip Scranton (Rutgers University), Uwe Spiekermann (GHI Washington). Participants: Regina Lee Blaszczyk (University of Pennsylvania), Alan Brody (TECHmarketing), Kerstin Brückweh (GHI London), Lynn Catanese (Hagley Museum and Library), Roy Church (University of East Anglia), Gregory A. Donofrio (University of Minnesota), Alexander Engel (University of Göttingen), Ferdinando Fasce (University of Genova), Gerulf Hirt (University of Göttingen), Ingo Köhler (University of Göttingen), Josh Lauer (University of New Hampshire), Kenneth Lipartito (Florida International University), Jan Logemann (GHI Washington), Séverine Antigone Marin (University of Strasbourg), Sean Nixon (University of Essex), Patrick Hyder Patterson (University of California, San Diego), Jamie Pietruska (Massachusetts Institute of Technology), Daniel Raff (University of Pennsylvania), Daniel J. Robinson (University of Western Ontario), Stefan Schwarzkopf (University of London, Queen Mary College), Terry Snyder (Hagley Museum and Library), Alexia Yates (University of Chicago), and twenty-eight guests.

The opening of the Ernest Dichter files at the Hagley Museum and Library was not only an occasion to recognize the contributions of this Austrian-American immigrant and leading market analyst of the postwar era, but also provided an excellent opportunity to discuss and broaden crucial economic and cultural topics that benefited from Dichter’s innovative contributions. The aim of the conference was to analyze the practices and institutions through which markets have been understood in Europe and North America since the late nineteenth century. Markets are not transparent to those engaged in them; they change over time, and understanding them is a complex process that involves a wide range of heterogeneous and conflicting individuals, institutions, and forms of knowledge. A call for papers attracted nearly forty scholars, and the conveners divided the most promising systematic overviews and case studies into five sessions, which provided both theoretical and comparative perspectives of Europe and the United States. A volume with a smaller selection of revised papers will be published in the GHI’s new series, Worlds of Consumption.
The conference was opened with words of welcome by Terry Snyder, who thanked Carol Lockman and the Hagley staff for their outstanding organizational work and the guest of honor, Mrs. Hedy Dichter, for generously donating her husband’s papers to the Hagley Museum and Library in 2008. (See http://hagleylibrary.blogspot.com/2009/02/ernest-dichter-papers-at-hagley-library.html.) Hartmut Berghoff started the academic program with his introductory talk, “From Practical Know-How to Science-Based Management Tool: The Emergence of Modern Marketing in the 20th Century.” In his overview, he tackled the changing role of marketing in business since the Gilded Age, dating the beginnings of modern marketing practices to the late nineteenth century and seeing the emergence of scientific approaches to marketing in the 1910s and 1920s. Berghoff questioned the received notion of a one-way Americanization of European and German marketing practices and provided evidence of a more complex, intertwined transatlantic history, in which European social sciences and American marketing practices were formative. In contrast to other branches of business, however, marketing remained a subject in which experts—so-called marketing gurus—still played an important role. Dichter was an outstanding example, but he was only one of many experts searching for ways to understand markets and analyze consumers.

The first session dealt with “Generations and Paradigms.” Kenneth Lipartito began his paper, “The Politics of Market Knowledge in Post-World-War II America,” by discussing the intense public debate over the so-called hidden persuaders; this discourse was typical of Cold War hysteria. In contrast to such hyperbole, Lipartito integrated this debate into the long-term changes in sociological research promoted by the Austrian-American immigrant Paul Lazarsfeld in the 1940s. The aim of these social scientists and marketing experts was not to persuade the consumers, as Vance Packard’s highly influential best seller suggested. They tried to analyze and understand the needs of postwar consumers and were convinced that manipulation was not possible in the long run. “Tell me how you buy and I will tell you who you are” was their slogan, for in their minds they worked not only for good salaries but also for the public good, helping people to discover their innate desires and find a distinct place in America’s heterogeneous society. Most experts therefore rejected attempts at subliminal advertising as unserious and damaging to the branch’s reputation. Crossing the ocean, Sean Nixon talked about “Understanding the Ordinary Housewife: Advertising and Consumer Research in Britain
His analysis of the London subsidiary office of J. Walter Thompson enabled reflections on how market research helped produce understandings of the “typical” housewife. American firms pushed new forms of market research in Britain. British experts learned from their American colleagues but also found their own ways of conducting market research, adapting it to class-oriented British consumption patterns.

Moving from Britain to Germany, Gerulf Hirt’s paper “Caught Between Goebbels and Dichter: German Ad Experts from National Socialism to the Early Bonn Republic” argued that the leading German advertising “masters” of the Nazi period still shaped the way marketing was done during the postwar era. Understanding the consumer’s mind and soul was perceived as a kind of art, not a serious profession or science. Therefore, Hirt rejected the thesis of a broad Americanization of German marketing in the 1950s and, instead, advocated a nuanced analysis of the practical and theoretical ideas of these “creative masters.” The panel’s final presentation, “Psyched over Synthetics: Ernest Dichter, the DuPont Company and the Boomer Consumer,” was delivered by Regina Lee Blaszczyk. She provided an overview of the quickly changing clothing market, which was profoundly impacted by new synthetic fibers like nylon and Orlon. Many consumers did not accept these new materials, and responses to this problem comprised combinations of synthetic fibers, “natural fabrics,” and intensified market research. Ernest Dichter started his work for DuPont in 1957, interpreting the “deeper meaning” of clothes and clothing. New advertisements focused on informality and individuality, the relevance of local and personal interaction, the rise of a new middle class, and the increasing relevance of male customers. In his comment at the end of this session, Daniel Raff made an engaged plea for a business history that analyzes not only firms and industries but also the decision-making processes of entrepreneurs and managers. Their knowledge has always been crucial in strategic decision-making, and the role of marketing experts and their conceptions should be embedded into this broader context.

The academic discussion was enriched by Alan Brody’s keynote address, “Who Let the Id Out? How Ernest Dichter and Market Research Changed American Marketing: Its Cultural DNA and Digital/Post-Industrial Legacy.” As a practitioner, Brody confessed to being deeply influenced by Ernest Dichter’s work and legacy. He presented some of Dichter’s most significant campaigns and characterized the
Dichter papers at Hagley as an archive of what Americans thought about during the postwar years.

As Dichter himself had done, the conference’s second session explored the problem of “Marketing Products.” In his paper, “‘Is the Doctor In?’ The Changing Role of Salesmen in the U.S. Pharmaceutical Industry in the Twentieth Century,” Roy Church presented not only another industry but also other actors. The British firm Burroughs Wellcome & Co. hired up to fifty salesmen to sell its products to doctors and obtain detailed market information from these customers. Church’s case study questioned widely accepted periodizations of marketing history. He advocated more archival work on small-business structures and credence goods, which required persuasion by salesmen to be sold, during the interwar period and earlier. The situation of the pharmaceutical industry was similar to that of the automobile industry, although the latter’s products were advertised in audiovisual media. In his presentation, “Recognizing Car Market Realities: Marketing, PR and Market Research of the German Automobile Industry in the 1970s,” Ingo Köhler concentrated on a period of crisis that required even leading companies, such as Volkswagen, to fundamentally change their products. Automobile firms underwent major organizational changes in order to identify and integrate the needs and desires of customers into a cycle of product development that supported continuous product innovation. A broader variety of cars led to profound changes in production and the social hierarchy of German employees. The economic and energy crises of the 1970s led to profound changes in retailing and services as well. Gregory A. Donofrio analyzed a fascinating facet of this shift in his paper, “Self-service: How Gas Stations Were Marketed to Women.” The transition from a full-service to a self-service marketing strategy forced reluctant oil executives to confront their practice of associating station designs and sales strategies with masculinity, because nearly half of all American drivers were women. Dichter and others stressed the “specialized needs” of female customers, pushing the industry to make gas stations aesthetically pleasing, safe, and easy to use. A once masculine space was transformed into a kind of gender-neutral territory. The session’s commentator, Ferdinando Fasce, lauded the innovative character of all three case studies, which offered a broader perspective on different kinds of products, actors, services, and forms of knowledge. He also advocated more comparative work. Research should encompass not only a larger bundle of products and industries but also international and transnational comparisons.
The conference’s third session was dedicated to “Dealing with Uncertainty,” that is, managing limited knowledge about both an existing situation and future outcomes. Dealing with uncertainty means establishing forms and standards of market-related knowledge to make markets more calculable and increase the probability of business success. Interestingly, industrialization was no real watershed in such efforts. In his paper “Into the Blue: Trying to Sell Indian Indigo in Traditional and Modern European Markets, 1780–1910,” Alexander Engel described the early indigo market as it developed from the interaction between producers and experts. On the one hand, the knowledge of production techniques, the variety of nuances in color, and the product itself made it possible for the industry to establish quality grades. On the other hand, differing tastes and purchasing power, both defined by merchant-producers, permitted the successful segmentation of regional and national markets. The introduction of synthetic indigo changed the market rapidly and led to severe uncertainty among the producers of so-called natural indigo. But the increasing variety of dyes and changes in their production did not transform the structure of the market, which continued to be shaped by the superior knowledge of (now chemical) experts and producers.

In the panel’s next presentation, “Cotton Guessers: Crop Forecasters and Rationalization of Uncertainty in the American Cotton Market, 1894–1905,” Jamie Pietruska convincingly questioned this rationality of expert systems. Pietruska demonstrated that private market forecasters were able to influence prices and markets by exploiting the industry’s dependence on many “natural” factors, especially incalculable weather conditions, because agents and large-scale customers believed in such information. Even more interesting was her analysis of the struggle between different knowledge producers, mainly private actors and the U.S. Department of Agriculture. Although the price of cotton remained highly volatile and market uncertainty remained high, the use of statistical methods allowed more calculable risk behavior in the long run.

Other industrial branches functioned in a very different way. In her talk “Why Is There No MLS [Multiple Listing Service] in France? Information and Intermediaries in the Parisian Housing Market in the 19th and 20th Centuries,” Alexis Yates concentrated on a service market characterized by efforts to centralize and standardize information on houses and apartments. Nevertheless, private expertise remained
decisive, and real estate agents acted as the crucial “decoders of Paris’s complex urban space.” Their expertise was socially embedded; they knew their quarters and the tricks for obtaining a domicile. At the same time, their associations tried, albeit not very successfully, to establish moral codes and business rules to foster trust among their customers. Despite such efforts, however, the reign of experts led to uncertainty, but mainly among customers. In his comment, Uwe Spiekermann observed, first, that profound cultural, legal, and economic differences existed between regions, countries, and states, which led to different knowledge regimes and institutional settings. Second, the cases studies in this session significantly relativize the notion of a free market. Third, the knowledge of experts and consumers alike constitutes a key element in understanding markets. Consequently, additional information is needed on both groups, including wholesalers and retailers as experts at the point of sale.

Personal experience was only one element of “Gathering Knowledge,” the topic of the fourth session. Daniel J. Robinson began his presentation, “Letter Writing, Market Research, and Patent Medicines, 1880–1930,” by discussing a wide range of methods used before World War I to contact consumers in the print media, on the street, and through the mail. His case study focused on the rich records of the Lydia E. Pinkham Company, established in 1875. He examined the interplay of testimonial letters, company correspondence, direct mail marketing, and additional market research. Again, an analysis of particular branches showed intense, firm-based information-seeking, resulting in new types of employment, knowledge power, technology, and communication with customers. Josh Lauer discussed new forms of “objective” knowledge production on firms and consumers in his presentation, “Making the Ledgers Talk: Credit Management and the Origins of Retail Data Mining, 1920–1940.” While credit departments had emerged during the 1890s as an integral part of department stores and installment houses, credit managers were not urged to scan their ledgers to analyze the buying habits of customers until the 1920s. Starting as a kind of consumer control, credit management was increasingly used for targeting promotion. Detailed quantitative information replaced the personal knowledge of the shop owner and permitted the use of formerly “unproductive” credit information as a tool for identifying, classifying, and contacting consumers.

Such marketing measures were normally based on statistical, social, and psychological research. In her paper, “‘Beware, You Could Be a
Target: ‘A History of Consumer Classification in Britain,” Kerstin Brückweh investigated continuity and change in statistical categorization. Consumers were understood via quantitative models of social stratification and regional income distribution. In spite of many adjustments and changes since the interwar period, the normative character of science-based models remained evident. Philip Scranton, in his comment, critically examined the different perspectives of the three contributions. The reduction of people to buyers was similar in all cases, but firms were focused on very different aspects of consumer identity. This circumstance raised questions about the actors and their decision-making or, more particularly, the differences between the marketing experts and consumers, that is, the supposedly vital few and the trivial many. Scranton also stressed a basic problem of information societies: they lack adequate information and understanding, but mostly demand more, not different, data. Additionally, Scranton noted, the parameters of reliability were a crucial topic in understanding markets and marketing.

The fifth and final session, “States and Markets,” discussed the role and function of the state in influencing and understanding markets. One nineteenth-century example of export promotion by states was the commercial museum. Séverine Antigone Marin’s talk, “Introducing Small Firms to International Markets: The Debates Over the Commercial Museums in France and Germany, 1880-ca. 1910,” described the changes that this institution underwent. First used to present information on technological innovations, the museums were transformed into sites that offered advice and education on how to market goods. Comparisons between foreign and domestic products were supposed to enable producers to learn more about standards in foreign markets and improve their own marketing efforts. Commercial museums helped to encourage exports and intensified relationships among producers, merchants, and the state. Such connections became even closer during the interwar period.

Stefan Schwarzkopf’s paper, “How Do States Understand Markets and Consumers? The Uses of Market Research in British Government Departments, 1920–1940,” examined the establishment of a state-driven market-research industry. Governmental and quasi-governmental institutions—such as the BBC, the Milk Marketing Board, the Empire Marketing Board, and the Stationary Office—developed methods to observe, measure, and interpret consumer behavior. Pushed by the political Left, such institutions were intended not only to promote
domestic goods and create more efficient markets, but also to help solve problems of information asymmetry in modern consumer markets.

Quite different was the role of the state in the postwar socialist countries examined by Patrick Hyder Patterson in his paper, “The Bad Science and the Black Arts: The Reception of Marketing in Socialist Eastern Europe.” Although the market was widely understood by the socialist elite as an instrument of oppression, it was also recognized as essential to the development of domestic economies. This pragmatic approach stimulated marketing efforts, even though such efforts were often denounced as “capitalistic.” Patterson compared developments in the more prosperous states of East Germany, Hungary, Czechoslovakia, and Yugoslavia. Although he found stark differences among them, according to each state’s relative wealth and affluence, all of these states wanted consumption to function properly, and they all sought to act in the so-called real interests of consumers. Market research, often regarded with suspicion, was used as a tool to learn more about people’s desires, while consumer policies, including marketing, were supposed to educate consumers on rational consumption and needs. These efforts can be seen as a distinctive form of “socialist marketing,” even if their methodology and advertising forms resembled those used in Western countries.

Jan Logemann began his comment by noting the surprising gap between economic theory and governmental practice. The former emphasizes the information problems of the state and its inability to understand markets, but all three presentations in this section revealed rather successful state activism. The problem of rationalizing information and legitimizing politics via consumer policies was similar in all three cases, but the answers and results were quite different. Although the commercial museums were not successful in the long run, capitalist societies offered more sustainable answers than the communist ones, which provided no effective response to consumer needs due to their ideological priorities. Logemann encouraged researchers to examine different kinds of states, as well as public and marketing-related institutions, to obtain a more nuanced understanding of the broad field of state-market relations.

The conference concluded with closing remarks by Philip Scranton, who focused on information, institutions, and markets. Information is always ambiguous and never neutral. It creates markets and defines consumers. At the same time, the differences between “data,”
“information,” and “knowledge” require closer and more theoretical examination. Similarly, the term “institution” covers a wide range of diverse organizations and practices. They vary in time and space, and there is no linear or direct causal relationship between institutions and consumption. Markets are relevant not because they are rational—this is a myth—but because they focus on demand and exchange. Historians should not neglect the production and supply chains, however. This more economic perspective is necessary to put market analysis into perspective. Scranton also mentioned four other themes frequently discussed during the conference: conventions, competition, credit, and constraints. A basic question emerging from such different perspectives is what makes a market a market. In spite of focusing on one particular theme, Scranton called for clusters of concepts for further research. Cultural and economic history should recognize and analyze the complexity of markets and all the attempts to understand them. While experts in marketing typically reduce this complexity, the choices they make in apprehending and constructing markets require scholarly attention and theoretical conceptualization.

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