

6-1-2008

*Family Capitalism: Wendels, Haniels, Falcks, and the
Continental European Model*, by Harold James

Michael S. Smith

University of South Carolina - Columbia, smithm@mailbox.sc.edu

Follow this and additional works at: https://scholarcommons.sc.edu/hist_facpub



Part of the [History Commons](#)

Publication Info

Published in *Journal of Modern History*, Volume 80, Issue 2, 2008, pages 386-388.

<http://www.journals.uchicago.edu/toc/jmh/current>

© 2008 by University of Chicago Press

This Book Review is brought to you by the History, Department of at Scholar Commons. It has been accepted for inclusion in Faculty Publications by an authorized administrator of Scholar Commons. For more information, please contact dillarda@mailbox.sc.edu.

This book will of course appeal to historians of science, for whom it nicely complements the Italy-centered studies of Paula Findlen. At the same time, Ogilvie offers a valuable new perspective on humanism, which is portrayed as the principal cause of the formation of Renaissance natural history. He begins with the provocative claim that “natural history was invented in the Renaissance” (1). Ogilvie argues that Renaissance naturalists constructed an ancient pedigree for an activity that drew only minimally from earlier antecedents. Prior to the Renaissance, the study of natural specimens was oriented to the purposes of other disciplines: natural philosophers sought examples to illustrate the causes of things, medical practitioners sought remedies, and authors on husbandry proffered practical advice about growing plants. Starting in the 1490s, natural history emerged from humanist concerns about the proper identification of species named by ancient authors. To resolve these questions, humanists first used methods of textual collation and emendation but then shifted their empiricist attention to particulars, from texts to things, as scholars introduced their own direct observations of nature to settle matters under dispute (115–33). In addition, humanism fostered a new aesthetic appreciation of nature and of the accumulation of knowledge, which motivated naturalists throughout the early modern period and beyond. Renaissance naturalists endured great risks, expenses, and labors to advance a “science of describing” that had no utilitarian goals but that promised, above all, the delight and satisfaction of knowing nature in all its particulars.

Even after John Ray finally broke, in the 1690s, the chain of citation of and commentary on ancient sources that earlier generations had created and perpetuated (264), botanists for centuries continued to rely on the social and material practices that Renaissance naturalists had developed during the long sixteenth century, as they coped with the massive accumulation of knowledge these practices triggered. Ogilvie renews our understanding of the roles of authority, experience, and trust, among other themes, in this richly contextualized account, which integrates the study of books, of working methods, and of social interactions with great intellectual sophistication.

ANN BLAIR

Harvard University

Family Capitalism: Wendels, Haniels, Falcks, and the Continental European

Model. By *Harold James*.

Cambridge, MA: Harvard University Press/Belknap, 2006. Pp. xii+434. \$39.95.

For years it was widely accepted among business historians that family firms are inherently dysfunctional and that even those that are initially successful quickly lose their creative energy as control passes from the founder to his heirs (the “shirtsleeves to shirtsleeves in three generations” syndrome). Moreover, some scholars believe that where family firms are predominant, long-term economic development is compromised. In particular, Alfred Chandler has argued that, since the late nineteenth century, achieving economic growth and enhancing national economic competitiveness have come to depend on replacing family-run companies with professionally managed joint-stock companies in key industries. Indeed, in *Scale and Scope* (Cambridge, MA, 1990), Chandler went so far as to attribute the relative decline of British industry in the twentieth century to the persistence of family firms. However, in the years since the publication of *Scale and Scope*, the so-called “Chandlerian paradigm” has been subjected to searching criticism, and there has been a concerted effort to reexamine and

rehabilitate family capitalism. With this book, the distinguished economic historian Harold James adds his voice to the revisionist movement.

To support the case for the constructive role and abiding importance of family firms in modern Europe, James presents parallel histories of three families prominent in the development of the European steel industry: the Wendels of France, the Haniels of Germany, and the Falcks of Italy. Of these three, the best known and most widely studied is the Wendel family. The Wendels (originally the Van Daëls of Bruges) took control of an iron forge at Hayange in the Duchy of Lorraine in 1704 and over the next 150 years built it into one of the leading ironworks in Europe. After 1870 the Wendel enterprise became binational, thanks to the annexation of Alsace-Lorraine by the German Empire, and it also became one of Europe's leading producers of crude steel, thanks to its early acquisition of rights to the Gilchrist-Thomas basic steel process. After France recovered Alsace-Lorraine in 1919, the Wendels united the two halves of their enterprise and added a number of German steel plants in Lorraine and Luxembourg to their domain. In the era of high-speed growth after World War II, the Wendels led the expansion of French steel before reluctantly exiting the industry when it was nationalized in 1982. In the 1990s, the family staked out positions in new industries and remained among the leading business families of France at the outset of the new century.

If James covers much familiar ground in telling the story of the Wendels, he ventures onto new terrain with the stories of the Haniels and Falcks. The rise of the Haniels began in the eighteenth century when they established themselves in the coal trade of the Ruhr Valley of Prussia. In 1806, Franz Haniel added iron smelting to the family business, and by the mid-nineteenth century the Haniels owned and operated two important firms: the Franz Haniel Company, specializing in trade, and the Gutehoffnungshütte (GHH), which soon emerged as one of the largest steel companies in the German Empire. In the early twentieth century, GHH diversified into mechanical engineering and shipbuilding and adopted the multidivisional (Konzern) model of organization. In the 1920s, the Haniels refused to join the German steel combine (Vereinigte Stahlwerke), and in the 1930s they tried to keep the Nazis at arm's length, but their companies were inevitably drawn into the German war machine in the early 1940s. The Haniels managed to hang onto their properties after the war, but, anticipating the decline of European steel, they began divesting from heavy industry in Germany in the 1950s. In the 1970s, they moved into new businesses with an international focus, notably discount retailing (Metro) and pharmaceutical distribution (GEHE). By 2001, only 21 percent of the family's assets were situated in Germany, and, in James's estimation, the Haniel Group had come to epitomize the "German style of globalization" (354).

While the Haniels enjoyed two hundred years of almost unbroken success, the Falcks were less fortunate. Their story begins in the 1830s when Georges-Henri Falck, a metallurgical engineer from Wissembourg (Alsace), introduced English technology at the Rubini family forge on Lake Como and soon became a partner in the firm. Under Falck's son and grandson, the firm moved into steel production, mainly through the creation of a new joint-stock company, Lombard Steel and Iron (AFL). In the early twentieth century, AFL pioneered the refining of high-quality alloy steel with electric furnaces and in the process became one of Italy's leading producers of hydroelectric power. With the aid of Marshall Plan funds, the Falcks greatly expanded their steel production after World War II, but things soon began falling apart for them. AFL's power plants were nationalized in 1964, and world steel prices collapsed in the 1970s. Eventually the Falcks, like the Haniels and Wendels, moved into new businesses

(including management of the Rome airport), but they had stayed too long in steel and had lost much of their capital. By 2000, what remained of the Falck empire had become, in James's words, "a striking symbol not so much of the resilience of Italian family capitalism as of its weaknesses and vulnerabilities" (352).

In his concluding chapters, James tries to answer a number of big questions about the nature of family capitalism and its role in European economic development. But this is difficult to do from the experiences of only three companies in a single industry, so the results are mixed. This is reflected in his discussion of the durability of family firms. James argues that, because they have a "non-economic reason to exist," family firms are better able to weather periods of instability and upheaval than are firms formed for purely economic reasons (that is to say, joint-stock companies). But since he offers no data on the relative survival rates of different kinds of firms, his assumption of the superior durability of family firms, as well as his explanation for it, remains open to question.

James is on firmer ground attacking the notion that the family firm is a primitive or transient form of business organization destined to be supplanted by the modern corporation. Indeed, he makes a strong case that over the past century and a half the joint-stock limited liability company has often served as simply another tool of family capitalists to be deployed and discarded as circumstances dictate. At the height of their involvement in the large-scale production of steel, all three of his family firms became "Chandlerian" in that they adopted corporate structures and hired professional managers. They later abandoned these structures, however, when they retreated from steel (an industry with notoriously high capital requirements) and moved into service businesses and portfolio investment. In James's view, this shows that the path from private to public company is by no means a one-way street. There remains a place for the privately held family firm in the age of globalization.

Although James raises more questions in this book than he can answer, his three well-crafted case studies make a significant contribution to the ongoing reconsideration of family capitalism and its role in the economic development of modern Europe. I highly recommend them.

MICHAEL S. SMITH

University of South Carolina

Bursting the Limits of Time: The Reconstruction of Geohistory in the Age of Revolution. By *Martin J. S. Rudwick*.

Chicago: University of Chicago Press, 2005. Pp. xxiv+708. \$45.00.

Martin J. S. Rudwick's *Bursting the Limits of Time: The Reconstruction of Geohistory in the Age of Revolution* is a substantial and extensively documented study of the development of the earth sciences in Western Europe from 1776 to 1848 and, especially, of what Rudwick calls their "historicization." The book enriches the history of science in the eighteenth and nineteenth centuries and draws useful connections between this field and the history of culture and politics. Indeed, it argues that in the age of the "Republic of Letters," these histories were one and the same. Rudwick's work is influenced by recent developments in science studies: it emphasizes the importance of understanding the structure of communication networks, the forms of representational media, and the concrete spaces of scientific practice. But, as Rudwick himself argues in a polemical introduction, at heart this is a traditional work of intellectual history, an account of an international community of professional and