In this article, we attempt to examine some of the currents from which twentieth century marketing thought emerged in order to provide a correct account of its philosophic origins. Marketing historians have identified the first associations, books, and articles pertaining to marketing as we know it today (Bartels 1962). However, these elements reflect marketing once it had been labeled as such. We do not take issue with the accepted wisdom about who the first marketing scholars were, what constitutes the earliest marketing literature, or which university courses were the first in the field of marketing. Nor do we attempt to redefine marketing as it was conceived initially. These facts about the early history of marketing ideas were certainly considered. However, ideas do not develop in a vacuum. We therefore look beyond this patchwork of surface facts and identify some common threads. More precisely, the purpose of our article is to identify and describe some of the philosophic underpinnings of marketing.

Method

Significant historical research involves the collection, analysis, and reporting of primary data (Savitt 1983, p. 30). Therefore, archival research was an essential part of our study. Previous historical research in marketing has identified the significant contributors to the discipline (Bartels 1951, p. 4; Converse 1959; Wright and Dimsdale 1974), the earliest published literature (Converse 1933; Hagerty 1936), and the first university courses (Maynard 1941; Monieson 1981, p. 14). This literature provided many potential sources of primary data.

Inasmuch as the University of Wisconsin and Harvard University were the original centers of influence on the development of marketing thought (Bartels 1962, p. 34), those two institutions were chosen as the major sites of primary research. The collections of Edwin Francis Gay, first dean of the Harvard Business School, and of Richard T. Ely, first director of the School of Economics at the University of Wisconsin, were ma-
mior sources of data, as were the collections of several other scholars associated with those institutions (see References section). Specifically, data sources included diaries, journals, correspondence, autobiographies, school essays, research notes, and unpublished papers and books.

We do not compare the influences derived from economics with those possible from other social sciences. Such a task is beyond the scope of our study. Instead, we limit our focus to the major influences apparent through economics at two original centers of development of marketing thought.

**Origins of the Institutional Approach**

During the nineteenth century many American students seeking higher education were attracted to Germany. Various estimates place the number of American students there between 1820 and 1920 at approximately 10,000 (Herbst 1965, p. 1; Thwing 1928, p. 40). This academic migration was impressive, not only in absolute numbers, but also in relation to the American attendance at other European institutions (Thwing 1928, p. 76).

In American colleges the emphasis was on uniformity and discipline. Instruction followed the lecture-and-recitation method. By contrast, the German universities were professional schools. They provided an atmosphere of academic freedom and equality between students and professors. When the first business school associated with the University of Berlin began classes in 1906, seminars rather than lectures were thought to be a partial answer to the unique educational needs of business students (Redlich 1957, p. 62). During the 1890s and perhaps even earlier, students in economics often went on excursions to various industrial establishments to study firsthand the institutional forces in the economy (Brooks 1906). The academic atmosphere in Germany created in American students a "craftsman's regard for technical expertise, an unfailing respect for accuracy, and a concern for the application of knowledge and skills to social ends" (Herbst 1965, p. 19).

In the latter part of the nineteenth century, a scientific model of historicism, which became identified with the Historical school, began to dominate the social sciences in Germany (Herbst 1965). The Historical school of economics emerged during the middle of the nineteenth century as a reaction to classical economic thinking (Myles 1956). The founders of the Historical school were dissatisfied with the inability of classical economics to resolve the problems associated with the rapid growth of the German economy at that time, such as poverty, industrial development, and development of a banking system (Hildebrand 1848). This preoccupation with solving real economic problems was to reinforce a unique and consistent set of philosophic assumptions about teaching as well as studying economics. The Historical school was distinctive for its historical, statistitical methodology (e.g., Roscher 1843), its pragmatism (e.g., Conrad 1868), and its ideals (Herbst 1965, p. 145), rather than for theoretical or conceptual ideas.

A steady stream of German-trained economists began returning to North America during the 1870s. Columbia University hired J. B. Clark, R. Mayo-Smith, and E. R. A. Seligman. To the University of Pennsylvania went S. N. Patten, J. F. Johnson, E. J. James, R. P. Falkner, and E. R. Johnson. This movement also included F. W. Taussig and Edwin Francis Gay, who both went to Harvard, and Richard T. Ely and Henry C. Adams, appointed to positions at Johns Hopkins University. Later, Ely and Adams moved to the University of Wisconsin and University of Michigan, respectively. These individuals were among the most influential Americans to train under the German Historical school. Others followed until the onset of World War I, but the influence was probably strongest during the 1870s and 1880s (Dorfman 1955, p. 24). There are no estimates of the number of economists who trained in Germany during that period, but the total appears to have been substantial (Farnam 1908; Myles 1956, Appendix 2).

Richard T. Ely was a vocal and enduring disciple of the Historical school. On returning from Germany, he accepted a position at Johns Hopkins University and established a reputation as one of America's most reform-minded economists. Ely led an attack on orthodox economic doctrine, ideology, and methodology. In "The Past and Present of Political Economy," Ely proclaimed the succession of the "New School," the German Historical school, over the old school of orthodox, classical economics (1884). He criticized the rigidity and determinism of classical economics as well as its oversimplified notion of economic man (1884, p. 10–12). Ely claimed enthusiastically that "the younger men in America are clearly abandoning the dry bones of orthodox English political economy for the methods of the German school" (1884, p. 64).

In 1885 Ely led a group of German-trained economists in forming the American Economic Association (AEA). In its founding statement of principles and in its early publications, the AEA revealed the influence of the German Historical school (Ely 1936, p. 144). According to Ely, the formation of the AEA represented both a protest against the system of "laissez-faire" economics and an emphasis on historical and statistical study (Ely 1931, Appendix B).

In 1892 Ely became the first director of the new School of Economics at the University of Wisconsin.
Ely’s belief in a strong role for the state in certain spheres of industrial activity fit well with the unique philosophy of education at the University of Wisconsin. That philosophy was represented by the term “Wisconsin Idea,” which stood essentially for better government through better education. It involved a close working relation between the university and the state government whereby academic experts gave advice on matters of administration. More generally, the Wisconsin Idea was part of the Progressive Movement for which the state became noted during the late nineteenth century. Ely, later described as a “barometer of Wisconsin Progressivism” (Rader 1966, ch. 7), seemed to have been a perfect choice to head the new School of Economics at Wisconsin.

In 1904 Ely invited John R. Commons, who had been his student at Johns Hopkins, to join the faculty at Wisconsin. Commons was to become one of America’s most notable institutional economists and his work became a legendary part of the Wisconsin Idea. Commons also was known for his pragmatic approach to teaching. He often brought civil servants, union officials, and other practitioners into his classroom to speak to students. Ely, too, followed this principle of pedagogical pragmatism by employing the seminar method, with which he had become familiar in his course work in Germany. He cited his German education for the realization that book knowledge and practical experience must be combined, especially for business education (Ely, undated). He also liked to quote Commons that “academic teaching is merely brains without experience; the practical extreme [however] is experience without brains; one is half-baked philosophy, the other is rule of thumb” (Ely 1938, p. 186).

For graduate research, Ely felt the most appropriate topics were ones that were historical and descriptive. Theses supervised by Ely certainly reflected this notion—for example, B. H. Hibbord’s (1902) “The History of Agriculture in Dane County, Wisconsin,” Paul Nystrom’s (1914) “Retail Distribution of Goods,” and Theodore Macklin’s (1917) “A History of the Organization of Creameries and Cheese Factories in the U.S.” In addition, for one of his graduate courses in economics offered in 1899, Ely kept a book that listed suitable topics for student papers. These topics included “The Economic Effects of Changes in Fashion,” “Advertising Considered From an Economic Standpoint,” and “Competition in Advertising and Effects of Trademarks.” Graduate students carried out these studies by applying an inductive method, adopting a historical perspective, and maintaining a concern for the general welfare of society in their search for solutions to economic (often marketing) problems. In this way, many of Ely’s students were applying the institutional approach to the study of marketing.

**Applying the Institutional Approach to Marketing**

Among the first students in economics at Wisconsin were David Kinley (later head of the Economics Department at Illinois), E. D. Jones, Samuel Sparling, James Hagerty (later head of the Economics Department at Ohio State), M. B. Hammond (who later taught under Hagerty at Ohio State), H. C. Taylor, and B. H. Hibbard. These individuals also were among the first noted contributors to the development of marketing thought (Bartels 1951, p. 4). Each had spent some time studying in Germany, as it became Ely’s habit to encourage his students to do so whenever possible. In this way a direct link was formed between the German Historical school and many of the earliest contributors to marketing thought.

In 1894, for example, Jones, Sparling, and Hammond traveled together to Germany to study economics. Edward David Jones, though recognized for teaching the first university course in marketing (Bartels 1951, p. 3; Maynard 1941, p. 382), has been curiously overlooked by marketing historians. A recent biographical sketch of Jones describes his considerable contributions to the marketing literature and to teaching (Jones 1987). For example, Jones wrote about the evolution of marketing methods (Ely 1903), the efficiency of the marketing process (1912a), distributive justice (1911b), and the functional approach to marketing (1911c, 1912b, 1913a). He believed that marketing courses were basic to an education in business, along with instruction in administration and accounting/finance. To teach business, however, he believed that scientific investigation was necessary to discover the general principles of those subjects. He added that the appropriate methodology for such study is "the inductive form of the scientific method" (1913b, p. 188). Jones used that method in his own research in marketing, gathering historical, descriptive case studies of marketing processes.

Between 1911 and 1914 Jones published a series of articles in *Mill Supplies* that were remarkable for the tone in which they were presented as well as for the principles and concepts of marketing they identified. In the opening piece, "The Larger Aspects of..."
Private Business,” Jones stated that his purpose in presenting the work was to examine “some marketing problems,” the most general of which, in Jones’ estimation, was the apparent inefficiency of the marketing process (1911a, p. 2). For example, in the retail trade Jones had determined that marketing activity added 50% to the cost of goods and he felt that much of the added cost was waste due to advertising and an overabundance of retail stores (1912c, p. 461).

Jones believed that a philosophy or science of business, and similarly of distribution or marketing, could be developed. It would require the development of principles based on empirical data and would be practiced by professionals whose objective would be to promote the general welfare (Ely 1918). This vision of science was similar to that held by his mentor, Richard T. Ely, and by the German Historical school under which Jones had also studied.

Samuel Sparling returned from Germany with Jones to complete a thesis on public administration. He then taught that subject at Wisconsin until 1909. In 1906 Sparling published Introduction to Business Organization. In that volume (p. 3–4) he described how he believed a science of business could be developed:

Science is based upon accumulated experience. Classification is the result of a comparison of differences and similarities. . . . We may describe and classify the facts of business in such a way as to indicate their underlying tendencies and principles.

Sparling classified all business activity as extractive, manufacturing, or distributive. Distribution was divided further into marketing activities that facilitate exchange. Marketing proper was defined as “those commercial processes which are concerned with the distribution of raw materials of production and the finished output of the factory. . . . Their function is to give additional value to these commodities through exchange” (p. 17).

In the section of Sparling’s book covering “Organization of Distributive Industries” are chapters on the evolution of the market, exchanges, direct selling, wholesaling and retailing, traveling salesmanship, the mail-order business, advertising, and credits and collections. Sparling clearly viewed marketing as part of a science of business that would be developed by following the methodology of the German Historical school, that is, by using an inductive, comparative, historical approach. With its extensive discussion of marketing-related topics, Sparling’s book later was credited by James Hagerty (1936, p. 22) as one of the earliest contributions to the literature of marketing.

Hagerty himself was a student of Ely’s and also studied in Germany. Of this training he later commented, “I believe that I have been influenced as much by American as by German teachers in the methods of the German economists. I make to mention Professor Ely especially whose influence has been in that direction” (1906).

Another of Ely’s students, Henry C. Taylor, was even clearer on the influence of Ely and the German Historical school. Following Ely’s advice, Taylor went to England in 1899, then to Germany where he studied under Johannes Conrad at the University of Halle and Max Serling at the University of Berlin. Conrad’s courses in agricultural economics were described by Taylor as “historical and descriptive in character,” concentrating on the political economy of agriculture rather than on the technical aspects of farming. At Berlin he also took courses from Wagner and Schmoller of the Historical school.

When Taylor returned from Germany to Wisconsin in 1901, he began teaching economic history and economic geography. One of Taylor’s first moves was to give the course in economic geography more emphasis on agriculture and marketing. As he later described it (1941, p. 23):

From two-thirds to three-quarters of the time in the course in economic geography was spent in describing where each of the important agricultural products was grown, where it was consumed, and the transportation, merchandising, and processing which it underwent as it passed from producer to consumer.

The text used in this course was Volume VI of the Report of the United States Industrial Commission of 1900, entitled, “Distribution and Marketing of Farm Products” (Taylor 1941, p. 23). It provided descriptions of the distribution of cereals, cotton, and dairy products and of the marketing of livestock, as well as a discussion of the significance of cold storage and refrigeration in the marketing of perishable products. In Taylor’s opinion (Taylor and Taylor 1974, p. 517), Volume VI of the Industrial Commission Report was:

. . . by all odds the best book on agricultural marketing available to students of agricultural economics at the beginning of the twentieth century. . . . The facts assembled and the methods of presentation made it possible for the reader to develop in his mind a fairly clear picture of marketing processes and price-making forces.

In presenting statistical facts from original and official sources in a descriptive way, the approach used in that report was consistent with the general approach to the study of economics at Wisconsin.

In 1906, as the interest of Wisconsin farmers in the activities of middlemen grew, Taylor began studying the cooperative creameries and cheese factories in southern Wisconsin. In 1910 he published an article on the prices of farm products. Taylor’s conclusions about the prices of eggs, butter, and cheese were consistent with the notion that middlemen serve an essential function for which a price must be paid. Nevertheless, there was continued skepticism and the
state legislature wanted further investigation.

As part of those investigations, two senior students in agricultural economics were given the task of studying the marketing of Wisconsin cheese. Together with Taylor, in 1913, they published the results of their investigations as "The Marketing of Wisconsin Cheese" (Taylor, Schoenfeld, and Wehrwein 1913). Using extensive descriptive statistics and maps, they illustrated where cheese was produced and where it was consumed. Most of the study, however, described the middleman processes: the advantages and disadvantages of a cheesemaker versus a sales agent in carrying out the selling function, the various types of retailers and wholesalers, the operation of dairy boards, retail prices, and the services rendered by various middlemen. Taylor commented that "while our findings tended to sober those persons who had been speaking excitedly about the marketing problem, they made it perfectly clear that, in certain stages in the marketing of Wisconsin cheese, the agencies were not functioning satisfactorily" (1941, p. 16).

This early research on the marketing of Wisconsin cheese was significant in several ways. It signified the beginning of a specialization by the Department of Agricultural Economics in marketing and cooperatives, which is considered to be its single most important contribution to the study of agriculture (Pulver 1984, p. 7). Also, a flurry of graduate research inspired by this initial study led to numerous theses in agricultural marketing, including G. S. Wehrwein's (1913) "The Dairy Boards of Wisconsin," W. A. Schoenfeld's (1914) "Seasonal and Geographical Distribution of Wisconsin Cheddar Cheese for the Year 1911," H. R. Walker's (1915) "The Cooperative Marketing of Livestock in Wisconsin," E. T. Cusick's (1916) "The Raising and Marketing of Wisconsin Tobacco," and P. A. C. Eke's (1920) "Marketing Wisconsin Potatoes."

This research led to the return to Wisconsin of B. H. Hibbard (from the University of Iowa) in 1913 and Theodore Macklin (from Kansas State College) in 1917 as faculty members in agricultural economics to specialize in cooperation and marketing (Taylor 1941, p. 19). Hibbard, Taylor, and several of the graduate students in the department published a series of studies including "Agricultural Cooperation" (1914), "Markets and Prices of Wisconsin Cheese" (1915), "The Marketing of Wisconsin Butter" (1915), "Cooperation in Wisconsin" (1917), and "Marketing Wisconsin Milk" (1917). The latter study led to a thesis and subsequent book entitled The Marketing of Whole Milk (1921), by H. E. Erdman. That book, as well as Hibbard's (1921) The Marketing of Agricultural Products and Macklin's (1921) Efficient Marketing for Agriculture, were seminal contributions to the marketing literature.

Taylor observed that the series of articles published between 1913 and 1917 all followed a common pattern. Each study was designed "to picture the marketing process clearly in order that the true character of the problems of marketing might be discovered" (1941, p. 22). Each study proceeded from a perceived marketing problem and the method was always the same: to observe the facts, to look and see, and then formulate principles and recommendations.

From its inception in 1892, the School of Economics at the University of Wisconsin developed an institutional approach to the study of economics. This approach included an inductive, statistical methodology with a historical perspective and a concern for the application of knowledge and skills to social ends. Directly and indirectly this approach was derived from the German Historical school of economics. Therefore, as a center of the early development of marketing thought, the University of Wisconsin provided the emerging discipline with a distinctive and well-developed philosophic foundation.

**Origins of Scientific Marketing Management**

Harvard University, and in particular the Graduate School of Business, was the other center of early influence on the development of marketing thought. Founded in 1908, the School was based on a vision of business as a profession, an art, and a science. As such, it became one of the first truly academic, professional business schools in the world.

As at Wisconsin, the seeds of teaching and research in marketing at Harvard were planted by the Economics Department. For example, the Harvard economists Frank W. Taussig and Edwin Francis Gay have been recognized for their contribution to the development of marketing thought (Bartels 1951, p. 4). Both were instrumental in the planning of the Harvard Business School and Gay became the School's first dean. As dean of the Business School, Gay was the major instigator of research and teaching in marketing.

Taussig studied at the University of Berlin in 1879 and 1880. He was less enthusiastic than some, however, about the ideas of his German teachers, claiming (1906) to have been influenced more by Alfred Marshall. During the early twentieth century many American marketing scholars turned to the more deductive approach of the neoclassical economists such as Marshall in their attempts to develop marketing theory (Sheth and Gross 1988, p. 10). The most popular sources of these ideas were Marshall’s Principles of Economics (1890) and Industry and Trade (1919).

In 1911 Taussig published his own Principles of Economics. Nonetheless, he was an economic histo-
rian, as demonstrated in his first book, *Tariff History of the United States* (1886). Though he may have been influenced more by Alfred Marshall, he would at least have appreciated the positive contributions of the Historical school. As Marshall himself stated (Pigou 1956, p. 165):

> It would be difficult to overrate the importance of the work that has been done by the great leaders of this school in tracing the history of economic habits and institutions.

Taussig was also a friend and colleague of Ignaz Jastrow, who became the first Rector of the business school founded at Berlin in 1906. Under Jastrow the Berlin Handelshochschule shared an educational philosophy with Harvard that “focused on the real world of business and at the same time was truly academic in nature” (Redlich 1957, p. 35).

As a member of the committee formed in 1906 by Harvard President Charles W. Eliot to plan the Harvard Business School, Taussig singled out the German business schools for comparison with existing American ones. He wrote the following comments to Gay in 1907:

> The movement for advanced instruction of this kind is active throughout the world, most so in Germany and in the U.S. In Germany it has resulted in at least two large institutions of high grade, liberally supported at Berlin and Cologne. In this country, the Universities of Pennsylvania, Michigan, Wisconsin, Illinois, California and Dartmouth College.

Undoubtedly, Taussig’s opinions about the formation of the Business School were influenced by his familiarity with developments in Germany and by his own training there.

Much more profound was the impact of the School’s first dean, Edwin Francis Gay, on the development of marketing thought. Like Taussig, Gay was very familiar with developments in Germany. He had studied history at the University of Leipzig during 1890–91, then political economy at the University of Berlin from 1891 to 1893 under Wagner and Schmoller of the Historical school. He later studied in Zurich during 1894 before returning to Berlin to finish his doctoral degree under Schmoller in 1901–02. According to Heaton (1949, p. 12–13):

> It was Schmoller who really fired Gay’s enthusiasm: first by belief that economics could be made into a real social science by being brought into close relation with psychology, ethics, history and political science; second, by his faith, accompanied by hope, charity and hard work—that economics could be converted into an inductive science through the patient study of economic phenomena past and present. . . . Private conversations with Schmoller were among Gay’s treasured memories of his Berlin days; the phrase “Schmoller says” appears occasionally in letters when Gay was interpreting some part of the European scene; and when Gay began to have graduate students of his own he tried to model his treat-

Indeed, Gay once commented, “If I could only transfer some of Schmoller’s qualities into my work as a teacher I would be happy” (Heaton 1949, p. 61). That wish apparently was realized. One of Gay’s students in economic history later observed that “he was not given to vague theorizing . . . hardly ever paused to generalize” (Cole 1970, p. 34).

Gay credited the German Historical school for founding the discipline of economic history (1941). He singled out Wilhelm Roscher as the “original formulator” of the Historical school and cited Karl Knies’ principle of historical relativity as well as the use of a comparative method as highlights of the school’s contribution to research methodology. He also recognized the intense struggle of the Historical economists, especially Schmoller, with the manner in which generalizations could be developed from the mass of economic facts being collected, summarized, and synthesized. The reason for that struggle was the inherent complexity of economic events. Gay commented (1923, p. 2) that:

> . . . the longer I live, the more inclined I am to agree with the late Professor Schmoller of Berlin that the world of political, social-psychological, and economic phenomena is a terribly complicated business.

Nevertheless Gay maintained, as the Historical school had, that the ultimate objective of inductive research is to produce generalizations and principles. Consistent with his German training, Gay believed that the scientific principles and generalizations of business should be “built up by observation and induction from widely gathered and carefully sifted facts” (1927a).

In Gay’s words, the Harvard Business School was to become a “simple scientific endeavor” (Cruikshank 1987, ch. 2). This modest objective, however, was to lead to some fundamental achievements that became Harvard’s principal contributions to the development of marketing thought. First, Gay had to determine what was essential to be taught; he had to define the subject matter of business. Second, he had to determine how that subject matter would be taught.

Gay’s answer to the first of these challenges was to divide business into “two fundamental functions of industrial management [production] and commercial organization or marketing” (Gay quoted by Hanford 1954, p. 7). During the time when the Business School was being planned, Frederick W. Taylor and his associates were developing a body of knowledge about the industrial management aspect of business and Gay adopted it enthusiastically for the School. Taylor used time and motion studies of work activity and the detailed observation and measurement of work to develop his principles of scientific management. Those principles were considered scientific because they were
“generalized rules of conduct based on law . . . a
summary statement of fact or a description of a
tendency common to a class of things” (Thompson 1917,
p. 5). Apparently, as a member of a committee draft-
ing a detailed plan of programs, courses, and arrange-
ments, Gay was searching for and identifying mate-
rials for the Business School’s courses. Taylor’s seminal
articles on the “Art of Cutting Metals” (1906) and
“Shop Management” (1903) were among the first to
be noted in that connection (Gay 1907).

Industrial management was only one of the two
basic functions of business. The other, as Gay defined
it, was distribution or marketing. When the School
opened in 1908, there were three required courses:
Principles of Accounting, Commercial Contracts, and
Economic Resources of the United States. According
to Copeland (1958, p. 3), the general idea for the lat-
ter course was developed by Gay on the basis of his
background in economic history and his interest in
marketing methods. The course first was taught by
Paul Cherington and later (in 1914) evolved into the
course titled “Marketing.”

The distinctive philosophy of marketing science
being developed at Harvard was manifested in three
specific forms: the case method of teaching, the Bu-
eau of Business Research, and Arch W. Shaw’s de-
scription of the basic functions of marketing.

The Case Method

The case method often is cited as a significant and
distinctive contribution of Harvard to the develop-
ment of marketing thought. On the basis of his 1945
survey of marketing scholars, Converse reported that the case
method was voted one of the most important concepts
or techniques in marketing (1945, p. 20). Bartels also
concluded that the case method was Harvard’s “prin-
cipal contribution throughout the years to the de-
velopment of marketing thought” (1951, p. 11) and cited
Copeland (1920), Tosdal (1921), McNair and David
(1925), and Borden (1927) as examples.

Consistent with his vision of business as a profes-
sion, a science, and an art, Gay recognized from the
outset the need for a unique means of teaching busi-
ness (1908, p. 161):

The teacher of business . . . must discover the fun-
damental principles of business system, and then, in
a scientific spirit, teach not only those principles, but
the art of applying them after investigation, to any
given enterprise. This means, then, that new courses
of study must be organized and that a laboratory-sys-
tem of instruction must, as far as possible, be intro-
duced.

The term “laboratory method” was derived from the
method of teaching in the natural sciences on which the
seminar method, used so successfully in Ger-
many, was modeled. In a 1927 speech about the
founding of the Business School, Gay further de-
scribed this conception of the laboratory method as an
“experimental laboratory studying genetically and
theoretically the institutions and processes of our eco-
nomic organization and practically [applying] the new
insights for the continued betterment of our business
practise” (1927b, p. 400).

Another emphasis in Gay’s early thinking about
business training was the role of historical study. Cer-
tainly here his training under the Historical school was
influential. The following reflections were jotted down
in Gay’s personal journal in 1910 shortly after the
School opened.

For most business men do not know enough history
to make analogies, those who do, know enough to
make analogies . . . . Some influence of the histori-
cal method in spirit. Gaining of perspective, real-
ization of changing character of institutions appar-
ently stable . . . sense of proportion . . . relation
to principles . . . realization of complexity and in-
terrelations and their modification of too rigid and
simple standards of judgement.

Though these notes are only fragments of Gay’s think-
ing on the matter, they indicate the importance he at-
tributed to historical study in a business school. Therein
lay the foundation of the case method at the Harvard
Business School. As Harvard business historian Alfred
Chandler recently observed, “Don’t forget, the heart
of this school’s curriculum has always been the case
study, and the case study is precisely what a historian
does, what a historian is trained to do” (Kantrow 1986,
p. 82).

Research in Marketing

Gay’s training as an economic historian probably in-
fluenced his views on research methodology even more
than those on pedagogy. Much of that methodological
perspective is described in the preceding section. The
first clear example of its application to the field of
marketing, however, was probably the Bureau of
Business Research. The Bureau was formed in 1911
with the financial assistance and urging of Arch W.
Shaw.

In 1911 Gay remarked to Shaw, “What is needed
is a quantitative measurement for the marketing side
of distribution,” to which Shaw replied in writing, “I
wish to give for use in this School a fund which shall
be applied for the purpose of investigation of business
problems, primarily for the problem of distribution
of products” (Cruikshank 1987, p. 59). The result of
Shaw’s initiative was the establishment of the Bureau
of Business Research under the direction of staff
members of the Business School.

The first director of the Bureau was Seldin O.
Martin and the first studies carried out were of the
shoe industry. As Martin explained (1916, p. 266):
The field of marketing seemed especially promising for research. It has apparently received less scientific attention than production in the field of manufacturing at least. Why was there such a variety of methods of selling and in channels of distribution? The concrete fact that from one-fourth to one-half of the retail selling price of an article is consumed in getting the article from the producer to the consumer seemed of itself worthy of study without prejudice for or against the existing order.

In the more industrialized economy of the eastern United States, the distribution or marketing problems being studied were different from those of the Midwest. Whereas agriculture provided most of the subject matter for research on marketing problems at the University of Wisconsin, retailing and manufacturing were the focus of similar work at Harvard. Hence, studies of the shoe industry were the first to be carried out and were followed by the study of grocery retailing. Following from this research, classroom discussion in marketing courses often centered on such topics as the department store, retailers' work and methods, and marketing problems as factors in industrial development.

The problems studied at Harvard were also different from those studied at Wisconsin in that they were the problems faced by individual marketing managers. In Arch W. Shaw's words, they were concerned with the "how to" of marketing. Marketing scholars at Wisconsin tended to be more concerned with whether the entire system was working "properly." At Harvard the emphasis was on the marketing policies of business firms.

In commenting on the research being carried out by the Bureau, Gay drew a parallel between the research methodology of the School and its pedagogy (1912a, p. 1215-17):

There are laboratories for the natural sciences both pure and applied; there are agricultural experiment stations for the farmer; why not a laboratory for business? The primary object of this research is the development of instruction in the school. But it should also give to the business man a partial basis for judgment in meeting his particular problems.

This use of an inductive, historical method was not confined to the Bureau of Business Research, though. One of the earliest student research papers to apply the historical approach was one that identified the basic functions of marketing.

**Basic Functions of Marketing**

The concept of "marketing functions" has been hailed as one of the most significant theoretical developments of early contemporary marketing thought (Hunt and Goolsby 1988). Indeed, it has been compared with the discovery of atomic theory (Converse 1945, p. 19). There is some consensus that Arch W. Shaw originated the functional approach in his 1912 article, "Some Problems in Market Distribution" (Converse 1945, p. 18; Faria 1983, p. 162; Hunt and Goolsby 1988, p. 36). Shaw used the term "functions" to refer to acts or services performed by middlemen (1912, p. 731). In describing these as "general" functions, Shaw clearly had in mind that they were universal, that the performance of such functions was a principle or law-like generalization of marketing. To study such marketing problems, Shaw advocated what he called the "laboratory method," which included the use of observation, statistics, comparison, and an historical perspective (1912, p. 754). The product of such a scientific method, in Shaw's view, would be general principles, exemplified by the functions of middlemen.

On the surface Shaw's 1912 statement of marketing functions appears to be a series of simple assertions. In fact, Shaw had used the laboratory method in the form of a historical, statistical study of the role of merchants in the British economy. The findings of that study led to the writing of "Some Problems in Market Distribution." As a student of Gay's in 1910, Shaw undertook a research project that led directly to his seminal 1912 article. Shaw (1950) described that sequence of events in the following way:

Dean Gay of Harvard had the knack of challenging the energies of students. In one of his lectures on the economic history of England he put special emphasis on the contribution of the merchant in the extension of the British economy both at home and around the world. The emphasis to me was, in effect, a challenge to trace the development of distribution stage by stage starting with the role of the British merchant as the handicraft period came to a close. . . . So it seemed of significance also to trace through the functions supplementing those of the merchant, which together with his functions made up the compound of the British economy and then to search for some simple concept by means of which these functions would fall naturally into definite classifications and their independence disclosed.

At about the same time as Shaw's 1912 article was published, Gay presented an address to the American Historical Association in which he stated (1912b, p. 7):

One of the most interesting problems which the historian of domestic trade will face is that of the organization of the domestic market, and with this goes the study of the middleman, the morphology of the merchant. . . . It is of importance to know how this orthodox system of market distribution came into existence, what needs it met, how far and in what industries those needs have persisted. We ought to know more definitely what has been the evolution of the merchant and his various functions.

Gay's research agenda apparently had been accepted by Shaw, as was evident in the latter's description of the evolution of distribution in England and in his seminal article on the basic functions of marketing.

Gay's use of the term "morphology" in his address is especially interesting as it reflects a tendency to anthropomorphize the phenomena of economics, a
tendency very characteristic of the German Historical school. For example, in his lecture notes on the Historical school, Gay often referred to their “organic conception of society” (undated). In fact, Wilhelm Roscher referred to the historical method as yielding the anatomy and physiology of the economy (1878, p. 111):

Our aim is simply to describe man’s economic nature and economic wants, to investigate the laws and the character of the institutions which are adapted to the satisfaction of these wants, and the greater or less amount of success by which they have been attended. Our task is, therefore, so to speak, the anatomy and physiology of social or national economy.

But for the last sentence, that quotation could have appeared in any modern-day marketing text. Similarly, Gay saw the task of marketing scholars to be the description of the morphology of the merchant. Shaw’s contribution in that area was the basic functions of middlemen.

Conclusion

During the early part of the twentieth century, when marketing thought began to emerge in its contemporary form, North American economics was divided fairly clearly into neoclassical and institutional schools of thought (Arnold 1981, p. 38). Neoclassical economics was the offspring of English classical economics. Institutionalism has been traced to the German Historical school of economics (Dorfman 1955; Myles 1956).

The German Historical school developed a particular version of a positivistic philosophy of science. Their approach to economics might well be considered a paradigm or a research tradition. That research tradition was an inductive-statistical version of positivism. It combined the exploratory, descriptive, process orientation of nineteenth century German Idealism with a faith in the objectivity of facts and a concern with problem solving. Together, these intellectual threads were woven into a relatively sophisticated vision of science, one that was used by scholars at the University of Wisconsin and at Harvard to intellectualize marketing practice.

The courses taught and literature written by many of the earliest marketing scholars at the University of Wisconsin and the Harvard Business School reflected

FIGURE 1
The Intellectual Genealogy of Marketing

<table>
<thead>
<tr>
<th>JENA (1861-78)</th>
<th>Halle (1890-1915)</th>
<th>ROYAL STATS. BUREAU (1855-98)</th>
<th>HEIDELBERG (1865-96)</th>
<th>LEIPZIG (1848-94)</th>
<th>BERLIN (1855-1917)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hildebrand</td>
<td>J. Conrad</td>
<td>F. Engel</td>
<td>K. Knes</td>
<td>W. Roscher</td>
<td>A. Wagner</td>
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<table>
<thead>
<tr>
<th>JOHN HOPKINS UNIVERSITY (1890-1915)</th>
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<tbody>
<tr>
<td>R.T. Ely *</td>
</tr>
<tr>
<td>W.A. Scott</td>
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<tr>
<td>H.C. Taylor *</td>
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<td>J.R. Commons</td>
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<th>WISCONSIN (1890-1915)</th>
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<td>S. Litzman *</td>
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<td>David Kinley *</td>
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<th>ILLINOIS (1890-1915)</th>
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<td>R.S. Butler</td>
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<th>NEW YORK (1890-1915)</th>
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<tbody>
<tr>
<td>P.D. Converse</td>
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<tr>
<td>W.C. Weidler</td>
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<tr>
<th>NORTHWESTERN (1890-1915)</th>
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<tr>
<td>F.E. Clark</td>
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</table>

* Studied in Germany

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the philosophic assumptions and ideas we have described. This evidence, combined with the fact that many of the early marketing scholars actually studied in Germany under the Historical school or under American economists who had studied there and who had adopted that philosophic position, would be enough to suggest that the German Historical school provided a philosophic foundation for many of our early marketing scholars (Figure 1). In addition, several scholars clearly identified with the field of marketing, as well as economists with a major interest in marketing, explicitly acknowledged that the German Historical school influenced their thinking.²

We do not suggest that scholars at these two institutions were not influenced by other individuals or ideas not associated with the Historical school. The Progressive Movement and the relatively large German population in Wisconsin at the turn of the century provided a receptive environment for Ely's German-inspired institutionalism. Also, the relatively well-developed doctrine of scientific management, together with the popular philosophic movement of Pragmatism at Harvard, undoubtedly reinforced the philosophic followed by Taussig and especially by Gay. The extent of other such influences and the nature of philosophic underpinnings at other institutions in North America are topics for further research. We examine only the major sources of philosophic influence at the two recognized centers of early development of marketing thought.

Many marketing scholars today believe that the discipline only recently has become aware of its underlying philosophy of science and, hence, to debate the status of marketing as a science. Most date the beginning of this discussion to Converse's 1945 article. However, we now can see more clearly that the earliest scholars of this century believed marketing could be developed into a science—one based largely on the philosophy of the German Historical school.

²We speculate that marketing courses may actually have been offered in Germany before those offered at American institutions around the turn of the century. A report sent to Benjamin Hibbard at the University of Wisconsin from the American Consulate-General in Berlin indicates that courses in agricultural marketing were offered as early as 1912 and possibly earlier (Thakara 1913). A course description in the 1912/13 catalogue for the University of Berlin read (Thakara 1913, p. 5):

General course in business management. Includes credit, competition, speculation, the methods and psychology of advertising, selling methods and organization tariff tech-

nique. Organization of commercial establishments in particular branches. The grain trade and the marketing of grain.

The report concluded, "... in most, if not all, of the universities there are opportunities for the study of various phases of economics bearing in a broad way on the subject of marketing" (Thakara 1913, p. 2).

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