



by Kenneth Hopper
and William Hopper

EDITED TRANSCRIPTION

Stephen Sackur interviews William Hopper, co-author of:

THE PURITAN GIFT – TRIUMPH, COLLAPSE AND REVIVAL OF AN AMERICAN DREAM

This television programme, part of the BBC's *HARDtalk* Series, was broadcast four times on BBC World on Wednesday January 16, 2008 and once on BBC News 24 on Friday January 18, 2008.

SS = Stephen Sackur
WH = William Hopper

NB: A literal transcription of this interview would be almost unreadable. What follows is the kind of edited transcription that might appear in a newspaper.

SS: The U.S. economy keeps itself afloat on a sea of debt, which is why home owners, corporations and the federal government have all been spooked by the credit crunch. As the financial screws tighten, more US assets are falling into foreign hands. I would guess that today's investment banker see the financial turmoil as one symptom of an American business culture headed in the wrong direction. But is the gloom being overdone?

William Hopper welcome to *HARDtalk*.

WH: Thank you very much.

SS: Your brother and you have written a controversial book, *The Puritan Gift*, which suggests that one can understand the triumph of American capitalism only if one understands the nature of the first settlers in what was to become the United States of America. Why do you go that far back?

WH: Because the early settlers introduced a Puritan culture which still influences how Americans behave today. What were the characteristics of that culture? First, the colonists, being literally pilgrims in search of a Promised Land, sought to create the Kingdom of Heaven on Earth -- that was a very important part of their psyche. Secondly, they possessed an aptitude for the exercise of mechanical skills; they were a very 'hands on' sort of people. Thirdly, there was a willingness to subordinate the

interests of the individual to those of the group. And, finally, they possessed superb organisational ability.

If you were a student of management and you asked yourself: 'what is the most superb example of management that I can think of?' you might just say: the Puritan Migration to America of the 1630s. In the course of a mere six months, instructions had to be given by the organizers in London to migrants from all over the kingdom, using the primitive postal service of the period; migrants had to sell their houses, although there was no proper real estate market; migrants had to travel on the awful roads of the period from all over England to the Isle of Wight during the appalling winter of 1629...

SS: What is fascinating to me is that you can find a common thread binding those early migrants to businessmen in what you describe as of Golden Age of Management at the mid-twentieth century. This presupposes that you believe there is some sort of moral purpose to America's triumphant capitalism? Do you see a moral purpose?

WH: Yes, in the subordination of the interests of the individual to those of the group, a phenomenon which, in its managerial manifestation, can be called collegiality. Collegiality was a characteristic of the communities created by the early settlers -- and it would be reproduced in the great American corporations of the mid-twentieth century. I am speaking of household names like General Motors, American Telephone, IBM, Dupont and General Electric. These companies possessed a clearly distinguishable, common culture inherited from the nation's Puritan past.

SS: Aren't you being a little naive when you talk about collegiality and moral purpose? If we go back to the origins of America's economic strength, much of it was defined by exploitative relationships -- exploiting the human resource of slaves, exploiting raw materials and commodities like cotton and tobacco. I'm struggling to find much of a moral purpose in all of that or indeed much of a link with Puritan theology.

WH: I would distinguish New England from the rest of the US; I think you describe very accurately the southern colonies states, which were...

SS: And that's where much of the economic strength of America lay.

WH: You are making good points and I don't deny any of them. I would simply argue that the governing culture in New England was one of collegiality, of subservience to a concept of the greater good, and that this outlook, with the passage of time, would affect the whole nation and become a characteristic of the great mid-twentieth century corporations.

SS: One quote I love from the book -- I love it because in a way it's such a grand and ambitious quote -- it says *for better or worse the Scotch/Irish, [the Puritan core] rule America and, through America, the world*. You're not pulling your punches there. But is it not a massive exaggeration to talk about the Scotch-Irish as being at the very centre of the economic triumph of American capitalism?

WH: They were one element. You've actually quoted from a part of the book where we talk about the U.S. today. George W. Bush's greatest support has come from the descendants of Scotch-Irish emigrants-- the 'redneck' vote in what are now called the 'red' states. English Puritans and Quakers, along with Scotch-Irish Presbyterians and others of similar persuasion formed the original character of America.

SS: A lot of people listening and watching this will say: what about the waves of non-Puritan immigration that also determined that character and the resultant economic culture -- like the Jews from Europe or the Catholics from Italy, Ireland and many other countries. How does that fit into your notion of a Puritan business culture in America?

- WH:** Well don't forget that many of these waves were in fact Puritan as well. You had the French Protestants in New Rochelle...
- SS:** I've just named many that were not.
- WH:** Well, let's name some more that *were*. There are half a dozen similar groups in all -- for example, the Dutch Reformed community in New York State, the Moravians in New Jersey and the Mennonites in Pennsylvania. Furthermore, as the historian, William Graham Sumner, pointed out in 1907, those immigrants who were not initially Puritan in outlook quickly absorbed the *mores* of the host country.
- SS:** Let's fast forward to the middle of the twentieth century, to what you call the Golden Age of American Management. You talk about the dominance of huge companies, of which you've mentioned several already: Ford, GM, AT&T, going all the way up to IBM. Now explain to me in what way they had a common business culture reflecting the values which you discovered in the Puritan beginnings.
- WH:** Let us focus again on collegiality. The greatest writer on management of all time was Dr Peter Drucker. In 1954, at the height of our Golden Age, he wrote that in most large corporation, chief executives had been replaced by a college of senior executives. The CEO had not been abolished -- he had become a *primus inter pares*. These companies were also meritocracies in the sense that anyone, or at least any graduate, could rise from the bottom of the management pile to the top. It wasn't a question of the guys from Harvard and Yale taking over the top jobs, as Oxford or Cambridge graduates might have done in Britain or the products of the *grandes écoles* did in France. These were genuine democracies. Another important aspect was the emphasis on what is now called 'domain knowledge'. In other words people were expected to have a thorough knowledge of the business in which they practiced. These were all common characteristics.
- SS:** Listening to you, I get the feeling that you have a somewhat rose-tinted view of the way these businesses were run. You don't use a word like exploitation, but in the end that's what these companies were about, they were about making vast profits. If we look at industrial relations at the time, we see that there were major discontents on the shop-floor; workers were deeply unhappy with what they felt to be exploitative relationships. That doesn't really fit with the notion of a moral purpose, collegiality and a communal outlook, by which the shop-floor worker and the boss shared a common goal.
- WH:** Don't forget -- my fellow author Kenneth and I are old enough to remember this period; we were young men at that time. He worked for many years at Procter & Gamble, then as now one of America's leading corporations. He recalls the excellent industrial relations that existed within it and how any young man (there were few women) could join it and rise right to the top. All these corporations had their problems and suffered from disputes, but they were on the whole well-functioning entities.
- SS:** And then, in your view, it all went wrong, American business culture lost its way and I think you believe it still has not really re-found its way. Why, when and where did it all go wrong?
- WH:** Well simplifying somewhat, there are two main concepts of management today. First of all, there is what you can call the traditional view, according to which young men or women join a company early in their careers and are afforded the opportunity to rise. If I may use a technical term, management of this kind tends to be 'bottom up' rather than 'top down'. ('Bottom up' means throwing responsibility on to the lowest level capable of accepting it.) As they rise towards the top, traditional managers of this kind acquire both the skills of general management and 'domain knowledge' -- that is, a thorough understanding of the business in which they work. Under this concept,

management is a *craft* that a young person learns in an *apprenticeship* relationship, working under a more experienced practitioner.

- SS:** And they learn the business before they run it?
- WH:** They learn the business before they run it; and they move through all or most the parts of the business, as they make their way up. Starting around 1970, however, a quite different concept came to the fore, known as 'professional' management. 'Professional' means that being a manager is a bit like being a dentist or a doctor or a lawyer. You go to a college, you study the subject, you acquire a degree -- and then you go out and practice it. People with degrees in management very often do not start at the bottom, as the traditional manager did; they start halfway up and tend to get to the top rather more quickly than their traditional counterparts.
- Furthermore, the concept of 'professional' management means that you don't need 'domain knowledge' *because you've been trained to manage anything*. So with a management qualification or its equivalent, you can go out and manage an engineering company, or a bank, or a charity, or a chemical company, without possessing 'domain knowledge' in that sector. Most 'professional managers' can also be referred to as 'financial engineers'. They seek to exercise control by pulling financial levers and operating through the profit and loss account.
- SS:** This is what business schools do, isn't it? I just checked on the internet, and I think there are 400 institutions in the US offering MBAs, that is post-graduate degrees in business. Now businesses are not run by idiots, they're run by people who want to make a profit, and they clearly believe that there is some merit in employing people with business degrees in senior positions.
- WH:** I would argue that 'professional management' is still the dominant tendency but, since 2000, there has been a modest movement back to the traditional approach. As an example, I have in mind one very large investment bank, Goldman Sachs, which used to recruit three business school graduates to one non-business school graduate; in 2000 it reversed this ratio. Right across the whole of American industry, people have begun to question the very concept of 'professional management'.
- SS:** I want to quote you the laudatory comments you wrote about one particular CEO, Jeff Immelt of General Electric, because it says a lot about your view of what makes a good manager. You say 'Immelt is a native-born American, who has spent almost his entire career in the one company'. His father, you add approvingly, 'was also an engineer'. To many people today, that would sound like a prescription for a man who could be dangerously out of touch with global trends, in view of the rapidly changing business environment.
- WH:** That is something you would never say of Jeff Immelt.
- SS:** You see my wider point; why is it important that he be a native-born American? We're live and work in a globalised economy.
- WH:** It is not important to be a native-born American; I was merely observing that Immelt followed the profile of a manager from the 1950s. It is important (a) that Immelt served an apprenticeship in management of a traditional kind, as he worked his way up through the ranks; and (b) that, in so doing, he acquired 'domain knowledge' of the industries in which General Electric functions.
- SS:** Is it necessarily a good thing to have spent all of your life in one company? We're in a very, very different economic environment from fifty years ago and the buzzword 'globalisation' is at the core of it.
- WH:** It is as important as ever to have 'domain knowledge' -- and 'domain knowledge' isn't localised. It refers to your company's relations with society, with its customers, with its

suppliers and with its competitors. The marketplace is international. 'Domain knowledge' is a globalised knowledge.

SS: I just want to put this to you: Richard Donkin, reviewing your book in the FT, says that, 'you suffer from a sense of nostalgia, a niggling belief that things were better in the past.' He seems to be saying that you hanker after an era when shop floors were full of working men doing manual labour, when big companies dominated traditional industries and workers were not staring at computer screens. Is there an element of truth in that?

WH: Uh, no, and actually I've had a meeting with Richard Donkin in the last couple of weeks and I think I've persuaded him that he's wrong on this point. You had better ask him. If one thinks that a managerial culture can improve, one has to admit that it can deteriorate: it's not a one way street. I believe that, in *The Puritan Gift*, we have amply demonstrated that there was a serious deterioration in the quality of America's managerial culture between, let's say, 1970 and the year 2000. We've established this company by company. (The book has forty pages of end notes, so it's not as if we just made the whole thing up.)

SS: Let's look at where America stands in the world economy today. The credit crunch is a dominant fact. You seem to be of the belief that there is something dangerous, something wrong, about credit.

WH: There is something deeply wrong about the misuse and abuse of credit

SS: You're a puritan in that sense.

WH: Yes, absolutely, I'm a Scottish Puritan from Glasgow. Glad to meet you, Jimmy!

SS: You write about what you know, but maybe again you're out of touch. You say: '**Credit is to the economy what steroids are to athletes. It enhances performance but potentially at serious cost to the health of the nation.**'

WH: Let's look at the events of the last three weeks and the headlines that have been generated in all our newspapers. Enormous losses have been recorded in not one, not two, but in almost every large US financial institution! I don't know much about steroids, but I imagine using small amounts of them won't do any harm; it's steroids in large quantities that cause harm. The same is true of credit.

This change is reflected in our private lives. When I was young, if I bought a house, I would be offered a loan equal to 30% of the cost -- and I'd have had to save for seven years to make up the balance. By way of contrast, if I go to a bank today -- even to one like Northern Rock -- I will be offered up to 125% of the value of the house I am buying. It is this kind of abuse that lies at the root of most of our present discontents.

SS: But are you not in danger of 'throwing the baby out with the bathwater', when you liken credit to steroids? If you look at the US economy, admittedly there are some real problems with the credit crunch, but credit has achieved an enormous amount for ordinary citizens. For example, people are able to own homes who couldn't have dreamt of it even 50 years ago. In financial services, America is leading the world. Leveraged corporate buyouts, have given juice to the US economy which has grown year on year. America owns the world's dominant economy -- and credit underpins it!

WH: I agree with half of what you say. Financial service companies form 20 - 30% of the US economy, and most are in deep trouble and desperately raising capital all over the world, even from China! A year ago it would have seemed unthinkable -- a Communist state and Arab investors bailing out half a dozen Wall Street firms, including the largest bank in the world, Citigroup! When Kenneth and I were completing our book eighteen months ago, we wrote that the US authorities were encouraging citizens to 'blow their savings and go mindlessly into debt in a way that

was contrary to Puritan tradition and dangerous to society'. No sooner was the book published than the subprime credit crisis came along, as if to prove we were right. As mathematicians like to say: QED – *quod est demonstrandum*: our theoretical analysis was proved to be right in practice.

SS: You contend, in a twist to your argument, that the mid-twentieth century business culture which you admire so much was exported from the US to Japan after the World War-II, and from there it passed on to countries like Taiwan, South Korea and finally into mainland China. Do you now also argue that those countries run their economies with a closer adherence to the so-called Puritan business culture than the US itself?

WH: You are making a key point. When they occupied Japan from 1945 to 1952, the Americans transplanted their business culture into that country, an event that led first to the Japanese Economic Miracle, which then led to the mini-Miracles in the so-called 'Asian Tiger' economies like Taiwan, South Korea, Singapore and Malaysia. After 1980 that same business culture would be transplanted, chiefly via Taiwan, into mainland China. Today something between 30% and 40% of China's exports are manufactured by Taiwanese-owned or managed affiliates on the mainland – a staggering statistic, considering how small Taiwan, and how big China, is. Taiwan's population is at 23 million is under 1.0% of China's at 3.3 billion!

SS: I want to put this to you: the real secret of America's success, which keeps it at the top of the international league, is its dynamism, its ability to adapt, to become something different as circumstances demand. That isn't about constancy, it's about change -- and that's what your thesis doesn't allow for.

WH: I would agree with you: one of America's greatest strengths lies in its ability to adapt - - and that is beginning to happen now. Having walked away from its traditional corporate culture around 1970, the United States is beginning to move back to it today; and that is illustrated by the actions of Jeff Immelt at General Electric. Immelt has told us that he 'loathes the very notion of professional management'; in other words he wishes to return to an older and better way of doing things.

SS: Sorry to interrupt you, but we're running out of time. GE still makes things. Before we finish, I want to talk about the real dynamic elements in the US economy, areas connected to the internet and digital age -- everything from Microsoft, to Facebook Google and Amazon. How do they fit your theory?

WH: First of all, let me make it clear that I am a tremendous admirer of the United States. One of the people who reviewed *The Puritan Gift* has declared it to be 'a love poem to America', which it is. My co-author and I are in love with America, so if we make critical remarks, they are the sort of critical comments that a lover makes.

That being said, I'd just like to point out that many of the most exciting new developments to which you refer did not originate in the US. The all-important World Wide Web was created single-handedly by a Brit called T. Berners Lee, who has since migrated to Massachusetts, since when he has become a Unitarian. (Unitarians like me are arch-Puritans.) Something like 50% of business start-ups in Silicon Valley have been launched by Indian or Chinese nationals, who have set up shop there.

SS: Bill Gates might resent the implication that he really doesn't represent the best of American innovation in business.

WH: There is much wonderful innovation in the US today, but if you look at the different nationalities he employs, you will find that many are from India and China. That would be also true of IBM today.

SS: So, in a word, is American decline something you foresee?

WH: We have argued in our book that America is likely to suffer a lengthy period of economic stagnation, such as affected Britain in the 1960s, America in the 1970s and Japan in the 1990s. This may take the form of 'stagflation' – stagnation accompanied by inflation. It will not necessarily be decline.

SS: We'll have to end it there. Thank you very much for being on *HARDtalk*.

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