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THE PRESIDENTIAL ADDRESS

Doing Business in the Public Interest

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The theme of the 2024 Business History Conference was "doing business in the public interest," but what does it actually mean to "do business in the public interest?" This presidential address challenges the idea of shareholder primacy as the main purpose of business enterprises historically and examines various ways that business historians might approach the idea of businesses acting in a public interest. In particular, it analyzes instances in which corporations made a decision in the public interest without clear evidence that it would benefit their bottom line; cases where it would demonstrably hurt their bottom line to prioritize the public; corporations that made a decision allegedly in the public interest that actually turned out to be bad for the public interest; and corporations that made a decision that was bad for the public interest that also turned out to be bad for their own bottom line.

Keywords: corporate culture; gender; insurance; strategy

The theme of the 2024 Business History Conference (BHC) was "doing business in the public interest," but what does it actually mean to "do business in the public interest?" For people like Nobel Prize–winning economist Milton Friedman, the very idea is an oxymoron. By definition, a capitalist business enterprise is a for-profit institution whose sole purpose is self-interest.[1] Proponents of this line of thought often turn to Adam Smith's famous words from *The Wealth of Nations* to support this argument, although his words are usually taken out of context. Smith said that the revenue of society is best served when individuals pursue their self-interest on behalf of domestic rather than foreign industry. "He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it…By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."[2]

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1. Friedman, "A Friendman Doctrine."
2. Smith, *Wealth of Nations*, Book IV, Chapter 2.

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Yet the idea that self-interest is equivalent to profit maximization is not what Smith said, either here or elsewhere in *The Wealth of Nations.* Profit maximization assumes shareholder primacy, which is the idea that the only relevant stakeholders in a firm are its owners or stockholders—not its employees or customers, and certainly not interests outside of the firm, such as local communities or the environment.[3] Even considering the concept of self-interest more broadly, placing it as the sole guiding principal of every business enterprise assumes that this so-called self-interest—whether for the individual or the business corporation—is something concrete, knowable, and definable, and without any element of choice between competing possibilities. It assumes that self-interest and public interest are likely to be mutually exclusive—that both cannot be pursued simultaneously. Yet in contrast, it also assumes that self-interest itself is a positive good that will lead to a desirable outcome for society. It also assumes no difference in self-interest over the short, medium, or long terms. Finally, it ignores the historical origins of incorporation as creating legal entities with privileges from and duties to the state. Indeed, when Adam Smith referred to the public interest, he was arguing against the mercantile system as being the optimal means of promoting economic growth for the *nation* as a whole, but his ultimate goal was still the economic well-being of the nation (as a whole) rather than the success and well-being of individual business enterprises. And yet, despite all these embedded assumptions, this idea that profit maximization is the sole purpose of a capitalist enterprise still occupies a dominant place in business culture not only in the United States but around the world. We have all experienced this on both the macro- and microlevels, and it had a formative impact on my life.

I was born in northern New Jersey as the third and youngest child of an Italian American mother and an Irish American father. At the time, my mother was a homemaker, and my father was an associate auditor at a local bank. They had met as first-generation college students in the early 1960s, but when my father left college after flunking out of the engineering school because he could not pass physics, my mother left school with only an associate's degree. But my dad was good at math, and—luckily for him—his mother possessed a critical piece of social capital. As past BHC president Pamela Laird so wonderfully describes in her Hagley Prize–winning book *Pull: Networking and Success since Benjamin Franklin*, connections through family and friends can often be the essential launching pad for someone's career.[4] My grandmother's best friend from high school just happened to be married to the president of a local bank, and he hired my dad as a bank teller. Over the next twenty-eight years, my dad worked his way up the ranks into middle management at the National Community Bank in New Jersey. Soon after I was born, he also began night school, finally earning his bachelor's degree in accounting in 1981 at the age of thirty-nine. By the late 1980s, my dad was still working at National Community Bank, but now in the internal security department. I used to love going with him into the office and examining the fake checks and counterfeit bills that people had tried to use to defraud the bank. Incoming BHC president Stephen Mihm, author of *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States*, likely also would have gotten a kick out of this.[5]

3. Smith and Rönnegard, "Shareholder Primacy,"463.
4. Laird, *Pull*.
5. Mihm, *A Nation of Counterfeiters*.

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And then, one afternoon in early December 1991, during my senior year of high school, I returned home from school to find him sitting at the kitchen table in the middle of the day. The bank, though still profitable, had decided to "par[e] its top-heavy management ranks" by laying off fifty midlevel employees; not one upper executive was included in these layoffs.[6] In press releases, the brand-new bank president (who had been on the job for less than a week) blamed the recession, with newspaper articles calling the bank "the latest recession victim."[7] Yet even amid the recession, the bank had already earned $9.2 million during the first three-quarters of the year, and anticipated solid profits for the fourth quarter as well.[8] The new president assured the public that "We have been substantially more profitable than we were in 1990. This bank is more profitable and more liquid than it's been in years."[9] And just in case anyone was concerned for those fifty employees who had been laid off right before the holidays, the president promised that they would receive varied compensation packages linked to their years of service.[10]

After twenty-eight years of service, my father received a mere thirteen weeks of severance pay—a fraction of the corporate average of one to two weeks of severance per year of service.[11] He was now a forty-nine-year-old man who had never put together a resume in his life, trying to find a new job just as the recession hit as well as trying to figure out how he would put his youngest child through college. For the next several years, he joined what we would now call the gig economy, as described in Benjamin Waterhouse's great new book *One Day I'll Work for Myself: The Dream and Delusion That Conquered America.*[12] He got up at four in the morning and delivered newspapers from the back of his hatchback Honda civic. He worked all sorts of crazy hours as a limo driver. If it had existed at the time, he absolutely would have become an Uber or Lyft driver. The timing of the layoff meant that I was not qualified for any financial aid for college, but I was lucky to have cobbled together enough scholarship money and loans for my out-of-state tuition at the University of Virginia, working summers and vacations to cover my room and board. Then, in the mid-1990s, my dad began working an entry-level position in retail at the Home Depot. Fourteen years later, he would retire from Home Depot, still working a wage position answering phones in their customer service center. Sadly, he took this change in status personally. He had always been a kind, funny, big-hearted Irishman who taught me to root for the underdog. But for the last twenty-five years of his life, he believed he was a failure. He died in 2015 a broken man.

The Milton Friedmans of the world might say that the bank had no other option than to lay off these employees; it was in the best interests of the bottom line. But as it would quickly become clear in the months after the layoffs, the bank was, in fact, trying to position itself financially to be taken over by the Bank of New York. As former BHC president Mark Rose documents in his 2019 book *Market Rules*, the early 1990s was a period when the regulations

6. Woods, "50 managers cut."
7. Shuman, "Bank layoff at 50."
8. Woods, "50 managers cut."
9. Shuman, "Bank layoff at 50."
10. Woods, "50 managers cut."
11. Kim, "Decent Termination," 204; Parsons, "Benefit Generosity"; Right Associates, Severance, 17, 178, 415.
12. Waterhouse, *One Day I'll Work for Myself* .

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governing interstate banking were quickly evolving, and numerous banks attempted to take advantage of these new opportunities.[13] The National Community Bank was one of New Jersey's largest banks, and it was headquartered in the extremely lucrative northern New Jersey market—a prime target for New York bankers. When rumors of the potential merger began percolating, the National Community Bank's stock price shot through the roof to record levels.[14] Stockholders as well as the upper management did indeed make a killing when the merger was finalized in 1993.[15]

Yet businesses are not automatons. No "invisible hand" dictated the necessity of a profitable bank laying off long-tenured workers during the holidays with little to no recompense in order to boost profitability in anticipation of a potentially lucrative merger deal. While academics, politicians, and courts in the United States might debate whether or not corporations are *actually* "legal persons" with all the rights and responsibilities of citizenship (as former BHC president Naomi Lamoreaux has so ably documented in her extensive research on corporate personhood),[16] in reality all businesses—from sole proprietorships and partnerships all the way to the largest multinational enterprises—still depend on the decision-making and choices of individuals. Indeed, the chief defense given for the massive surge in chief executive officer (CEO) compensation packages since the 1980s is that the decisions of individuals at the top can make a profound difference for the success of a company. Yet if self-interest were self-evident, and if businesses operating under a purely capitalist ethos were really led by an invisible hand toward profit maximization, then the individuals comprising the leadership of that enterprise should matter much less. Reflecting this fact, an alternative explanation for the massive rise in CEO compensation is that they are taking advantage of their powerful positions to extract rent from the firms.[17] Perhaps they are acting in their *own* self-interest, but this may or may not be in the long-term self-interest of the corporation.

But I do not wish to belabor this point. In coming up with the conference theme, I think I already tipped my hand that I do not buy into the idea that the rationale behind capitalism compels businesses to ignore the public interest. So, let's start again. What does it mean to "do business in the public interest"? At this point, I am fully aware that I have neither defined who "the public" is nor *who* gets to decide what is in the best interests of this amorphous public nor who gets to decide between potentially conflicting public interests. It also assumes that the "public interest" is necessarily always something positive for society. For the purposes of the conference, I intentionally left this idea vague, and the business history community responded with a plethora of wonderful papers and panels, all interpreting this idea from a wide range of perspectives. But I would now like to narrow this theme down considerably, eventually getting to one facet that I find particularly interesting and, in some cases, highly problematic.

By far the easiest layer to eliminate from discussion are all practices done in compliance with regulatory requirements. Much of the regulation described by past BHC president Edward Balleisen in his Gomory Prize–winning book *Fraud: An American History from*

13. Rose, *Market Rules*.
14. Lowry, "Talks on for Sale of N.J. bank."
15. Hansell, "Bank of New York Agrees to Buy New Jersey Bank."
16. For one example, see Lamoreaux and Novak, *Corporations and American Democracy*.
17. Frydman and Jenter, "CEO Compensation," 89.

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Barnum to Madoff entails legislation designed to protect some public interest.[18] Yet I am interested in companies *choosing* to act in the public interest, as opposed to being compelled by a government entity.

One of my all-time favorite business history books is Roland Marchand's *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery in American Big Business*, which was the very first winner of the Hagley Prize in 1999. In this beautifully written and illustrated book, Marchand details the careful efforts of late-nineteenth- and twentieth-century firms to create distinctive, personable, compassionate images with the consuming public. And yet, ultimately, most of the campaigns discussed by Marchand were about appearances. Corporations needed to convince the public that they were more than greedy, profit-maximizing enterprises.[19] But actions that are primarily public relations ploys, with little actual risk or sacrifice on the part of the company, are also not what I have in mind.

Nor do I mean instances of outright hypocrisy, where the company's public pronouncements are in direct conflict with their private behavior. For example, at the beginning of the twenty-first century, Volkswagen had positioned itself as an industry leader in environmental sustainability, even winning two "Green Car of the Year" awards in 2009 and 2010. In reality, the company had deliberately installed devices in their cars to produce artificially low emissions results when tested under lab conditions.[20] Similarly, in the wake of the *Citizens' United* Supreme Court decision, it has become increasingly common for corporations in the United States to publicly advocate for one position that they perceive as being popular with the public, while contributing to politicians or political advocacy groups that support the exact opposite stance.[21] These also are not quite what I had in mind.

At the next level is a wide range of activities that can be lumped under the mantra of "doing well by doing good." These are business models in which doing what is in the public interest easily aligns with corporate goals or where the business specifically innovates to take advantage of an opportunity which it perceives as being in the public interest. Volkswagen's clean diesel innovation would have fallen under this latter category, had they in fact succeeded in producing an environmentally friendly engine. This idea of doing well by doing good is often associated with the idea of corporate social responsibility, and has been prominently studied by many business historians, including past BHC president Kenneth Lipartito.[22]

Growing up, I was extremely close to my paternal grandparents. My grandfather was the youngest of eight children. When he was only three years old, his father—who had been working at the time as a streetcar conductor—died, leaving his mother to support the large family. She began taking in laundry, while the teenage children picked up various jobs on the railroad and in local factories. When my grandfather was sixteen—in 1929, on the eve of the Great Depression—he also dropped out of high school to help provide for his mother. As a seventeen-year-old in the 1930 census, he listed his occupation as unemployed, while his

18. Balleisen, *Fraud*.
19. Marchand, *Creating the Corporate Soul*.
20. Hoffman, "Volkswagen's Clean Diesel Dilemma."
21. Lund and Strine, Jr., "Corporate Political Spending Is Bad Business," *Harvard Business Review* (January-February 2022).
22. Carroll, Lipartito, James E. Post, and Werhane, *Corporate Responsibility*.

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three older sisters and one older brother who were still living at home all listed clerical occupations.[23] By all accounts, my grandfather was extremely talented with electronics; he was a handyman who could fix anything. It is unclear what he did for employment during the 1930s, but by World War II, he was working at Bendix Aviation (Figure 1).

During the 1920s, Bendix was a supplier of components for the budding aviation industry. The company then suffered greatly during the Great Depression, and its founder had to declare bankruptcy. Yet as with many sectors of the US economy, the company's fortunes changed rapidly with the onset of World War II. Bendix Aviation became a major manufacturer of radio equipment for military aircraft, producing approximately 75 percent of all avionics for US aircraft. Contributing to the war effort enabled Bendix to survive and thrive after the Great Depression.[24] My grandmother later told me "Grandpa was real mad because he wanted to go to the war but he was ineligible." I am not sure whether he was ineligible because he was employed in a critical military industry or because he was a twenty-eight-year-old married man with one baby at home and another (my dad) on the way. But even though he was not able to fight, my grandmother told me how proud he was to be contributing to the war effort through his work for Bendix. As Mark Wilson has demonstrated in his Hagley Prize and Gomory Prize–winning book *Destructive Creation: American Business and the Winning of World War II*, it was easy for corporations like Bendix to demonstrate that they were "doing business in the public interest" by supporting the war effort.[25] Yet in this case, doing business in the public interest was not at all in conflict with profit maximization, so this is also not what I am interested in.

On the flip side, we might also look at corporations "doing well by *not* doing good." By this I mean those companies who make profits at the expense of the public interest—whether by polluting the environment, or harming their workers, or hurting consumers. Both of my grandparents were smokers, although my grandmother would quit smoking in the mid-1960s. My grandfather, however, remained a lifelong smoker, dying of lung cancer in 1985. But companies who actively prey on the public are also not where my interests lie, so I will put them aside as well.

What I am really interested in is a different set of circumstances: first, corporations that make a decision in the public interest without clear evidence that it will benefit their bottom line and/or cases where it will demonstrably hurt their bottom line to prioritize the public; second, corporations that make a decision allegedly in the public interest that actually turns out to be bad for the public interest (possibly because of competing interpretations of "public interests" or because of an evolving understanding of the public interest); and third, corporations that make a decision that is bad for the public interest that also turns out to be bad for their own bottom line.

Let's start with the idea of making decisions in the public interest without an obvious profit-maximizing incentive. One of the best examples along these lines occurred in 2014 when CVS Caremark—the parent company of the CVS chain of pharmacies—announced that they would

23. Fifteenth Census of the United States, 1930, Essex County, New Jersey, p. 6.

24. "Bendix Corporation," *The History Museum*. "Bendix King Traces Long History of Aviation Innovation," *Honeywell Aerospace Technologies*.

25. Wilson, *Destructive Creation*.

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Figure 1. Bendix Aviation Corporation Advertisement, "When the Dial is Turned to Tomorrow," Saturday Evening Post, April 15, 1944, p. 76. Courtesy of author's personal collection.

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no longer sell tobacco products in their 7,600 locations. The company's president and CEO stated that "Cigarettes and tobacco products have no place in a setting where health care is delivered," and noted that it was "the right thing to do." However, he also estimated that the move would cost the company $2 billion annually in lost revenues.[26] On the day of the announcement, CVS's stock price fell 7 percent.[27]

On the one hand, someone could argue that this was merely a strategic decision on the part of CVS that would pay obvious dividends in the future. The company was trying to reposition itself away from its retail sales toward more emphasis on the delivery of health care services, such as its newly acquired pharmacy benefits management business, and its growing number of walk-in MinuteClinics staffed by nurse practitioners. Both of these aspects of their business model were growing in profitability, and both would help supplant the loss in revenue from tobacco sales.[28] On the other hand, CVS *could* have pursued both of these new business lines while still selling tobacco products. The two things were not mutually exclusive. Even though there had been some public pushback from people who recognized the hypocrisy of a health care company peddling tobacco products, there was no evidence that this hypocrisy was hurting its bottom line. CVS certainly hoped that, in the long term, the policy shift would make health care providers more likely to do business with CVS and that it would make it easier to recruit and retain good employees. But none of these long-term outcomes was guaranteed.[29]

Further evidence that this decision was not necessarily a profit-maximizing one comes from its competitors. Since CVS stopped selling tobacco products in 2014, *none* of its competitors have followed suit.[30] Walmart briefly considered whether it should adopt a similar policy to stay competitive with CVS, but ultimately decided that "cigarette sales were in keeping with the retailer's brand as serving the mass market…Some executives also thought that Walmart might gain market share" in the aftermath of CVS's decision.[31] Walgreens and Rite Aid also stated that they were not interested in telling people what they should or should not buy. Walgreens insisted that "its role isn't to rid shoppers of vices" but rather to "provide customer choice."[32] This response does lead to an interesting side question: Does the public want corporations trying to influence public behavior? And when might that become problematic? But these are questions for another time.

A second example of a corporation acting for the public interest without clear evidence that it would benefit their bottom line comes from the life insurance industry. During the late nineteenth century, several American life insurers began selling industrial insurance. These policies targeted lower income families by providing policies in amounts as small as $100, as compared to the thousands of dollars normally required for ordinary life insurance. Premiums ranging from $0.05 to $0.65 were collected on a weekly basis, often by agents coming door to

26. McCarthy, "Major US Pharmacy Chain Plans to Stop Selling Cigarettes."

27. Carey, Dumaine, Useem, and Zemmel, *Go Long*, 20.

28. Fernandes and Kotz, "CVS Takes a Stand, Halts Tobacco Sales." Gillespie, "CVS Positions Itself"; Maxfield, "CVS's case for 'good' capitalism."

29. Carey, Dumaine, Useem, and Zemmel, *Go Long*, 15–23.

30. Wahba, "Why Can't Drugstores Quit?"

31. Corkery, "Treading a Fine Line."

32. Terlep, "CVS Hides the Candy, Chips"; Al-Muslim, "Walgreens Won't Quit Selling Cigarettes."

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door, instead of on an annual, semiannual, or quarterly basis by direct remittance to the company.[33] While industrial insurance remained only a fraction of the amount of life insurance in force, the number of policies skyrocketed—growing from less than a quarter million in 1880, to almost 90 million policies by the eve of the Great Depression.[34] Life insurers were certainly doing well, and many executives would argue that these policies were in the public interest by providing a safety net for low-income families in the event of a catastrophic death—another potential example of doing well by doing good.

Beginning in 1908, executives at the Metropolitan Life Insurance Company (MetLife), the leading provider of industrial policies, determined that they were in a unique position to help working families beyond just providing insurance policies. The company created a welfare department and hired a prominent sociologist to head the office. One of the defining purposes of this department was to "wage war on disease, and some of its underlying causes such as ignorance, insanitation, and poverty." MetLife would take advantage of its army of insurance agents to address public health concerns.[35] Of course, people living longer, healthier lives would be in the best interests of a life insurer, but whether an investment in public health would actually increase corporate profits was much less obvious.

Nearly 20 percent of all industrial life insurance death claims in 1909 were from tuberculosis. Thus, one of the welfare department's first actions was to publish an eight-page pamphlet explaining the causes, prevention, and treatment of the disease (Figure 2). They initially printed 3.5 million copies in ten different languages and had their agents disperse them throughout the communities where they sold life insurance. Other publications soon followed on such topics as smallpox, dental care, first aid, and exercise. Of course, the MetLife corporate logo and slogan featured prominently on all of these pamphlets, but they were still making a substantial investment in promoting public health.[36]

Next, the company created a visiting nursing service. When agents went into policyholders' homes and witnessed someone in need of medical care, they would send a nurse to provide that care, at the company's expense. By the end of 1909, MetLife was delivering nursing services in thirteen cities and had made over 28,000 visits. Just five years later, they would be providing these services in 1,804 cities, with nurses making over a million visits (Figure 3). This service cost the company more than a half million dollars in 1914.[37]

At the time of the creation of the welfare department, MetLife was a publicly traded corporation, and there does not appear to have been much pushback from the shareholders against these activities. And yet, in 1914, the company decided to mutualize the company—retiring all its capital stock and distributing all future profits among the policyholders.[38] One could even perhaps argue that mutualization itself was a corporate decision that prioritized the public interest (in the form of the policyholders) over profit maximization.

33. *Report of the Commission on Old Age Pensions, Annuities and Insurance*, 178–179; and Carr, *From Three Cents a Week*, 14.

34. Buley, *The American Life Convention*, 112.

35. James, *The Metropolitan Life*, 185.

36. James, *The Metropolitan Life,* 186–188.

37. James, *The Metropolitan Life*, 186–187.

38. James, *The Metropolitan Life*, 189–190.

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The year 1914 was also the year of birth for my paternal grandmother. The eldest of five children, my grandmother was born into a relatively comfortable middle-class family. By the 1920s, her father was working as a building inspector in Jersey City for the infamous political boss, Mayor Frank Hague. After graduating from high school in 1931, she began working at the Metropolitan Life Insurance Company in New York City. Clerical work was one of the most common occupations for young, educated, unmarried, native-born, white, middle-class women.[39]

In the few photos I have from her work life, she is surrounded by the filing cabinets of the MetLife office (Figure 4). As past BHC president JoAnne Yates has documented both in her book *Structuring the Information Age: Life Insurance and Technology in the Twentieth Century* and in a great chapter in *A Nation Transformed by Information*, these systems of organizing and storing large amounts of data were central to corporations like MetLife and depended on the growing workforce of clerical women.[40] At some point, MetLife awarded my grandmother a sterling silver pin from Tiffany & Co. for "faithful service."

When my grandparents married in 1938, the "girls" at work celebrated by throwing her a bridal shower at her desk. But unlike many women who were forced to leave their jobs upon marriage, MetLife did not have that policy.[41] She remained in the office for another two years, until she became pregnant with my father's older brother (born in 1941). The "girls" again threw her a combined baby shower/going-away party at her desk. She would not return to the workforce until her youngest son was a teenager in the 1960s, when she would start doing clerical work through a temp agency.

Yet while MetLife did not require married women to quit their jobs, many other corporations—particularly those like insurance companies and banks that employed large numbers of women in clerical positions—did have these so-called marriage bars.[42] This is an example of a corporate decision made *in* the public interest that turned out to be bad *for* the public interest. The emergence of marriage bars—both in the form of set company policies against hiring or retaining married women and more informal discriminatory practices forcing married women out of the workforce—emerged in parallel with the rise of the gendered clerical workforce. The Nobel Prize–winning economist Claudia Goldin examined the extent and impact of these marriage bars as part of her path-breaking book *Understanding the Gender Gap: An Economic History of American Women.* She estimates that, at the height of the practice in the 1930s, approximately 50 percent of female office workers faced marriage bars.[43]

Marriage bars emerged in the United States around the same time that protective legislation for women and children in the workforce was becoming increasingly acceptable. While many people rejected the idea of passing general laws to protect the working conditions of all

39. England and Boyer, "Women's Work," 307–340; Zunz, *Making America Corporate*, 117–118.

40. Yates, *Structuring the Information Age*; Yates, "Business Use of Information," 107–136.

41. The best evidence that MetLife did not have marriage bars is in *Insurance and Retirement Program for Home Office Employees.* On p. 12, it lists hospital benefits for employees but excludes coverage for childbirth. If married women were not permitted to work for the company, this exclusion would not be necessary. The company does, however, provide coverage for surgeries to remove breast cancer as well as a "cutting operation on uterus or ovaries" (p. 13). And on p. 8, it sets the normal retirement age for women at 60 years old.

42. Goldin, "Marriage Bars," 511.

43. Goldin, *Understanding the Gender Gap*, 161.

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Figure 2. Metropolitan Life Insurance Company Pamphlet, "A War Upon Consumption," 1909. Courtesy of author's personal collection.

workers, it was easier to convince the public that certain classes of people—namely women and children—required such protection. These laws often restricted women from working in certain occupations deemed detrimental to their health and/or restricted the conditions under which they could work in these occupations. The basic premise behind these laws was that society needed to protect a woman's primary function. In the words of historian Alice Kessler-

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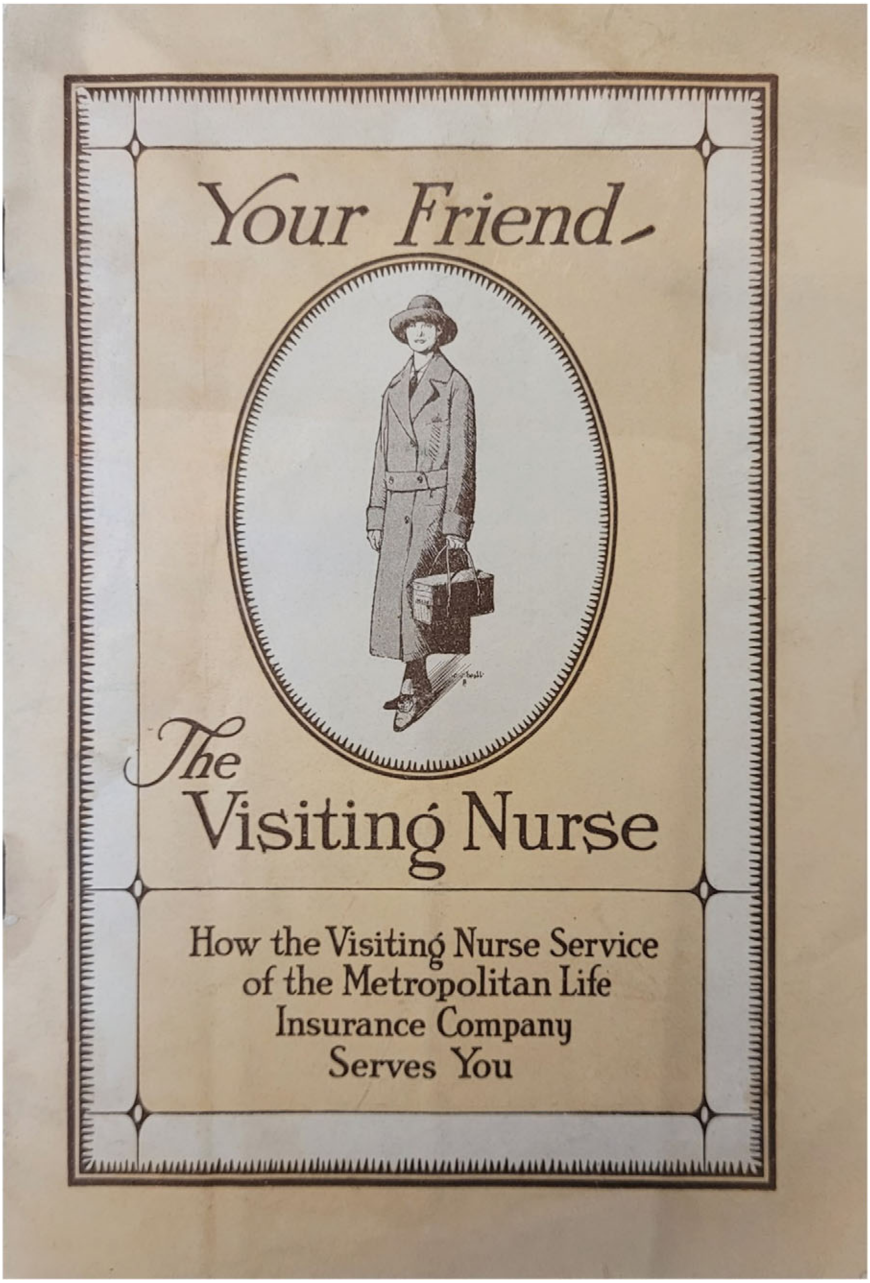

Figure 3. Metropolitan Life Insurance Company Pamphlet, "The Visiting Nurse," c. 1920s–30s. Courtesy of author's personal collection.

Harris, "women in their capacity as child bearers and rearers served the state's welfare in a special way."[44]

44. Kessler-Harris, *Out to Work*, 184.

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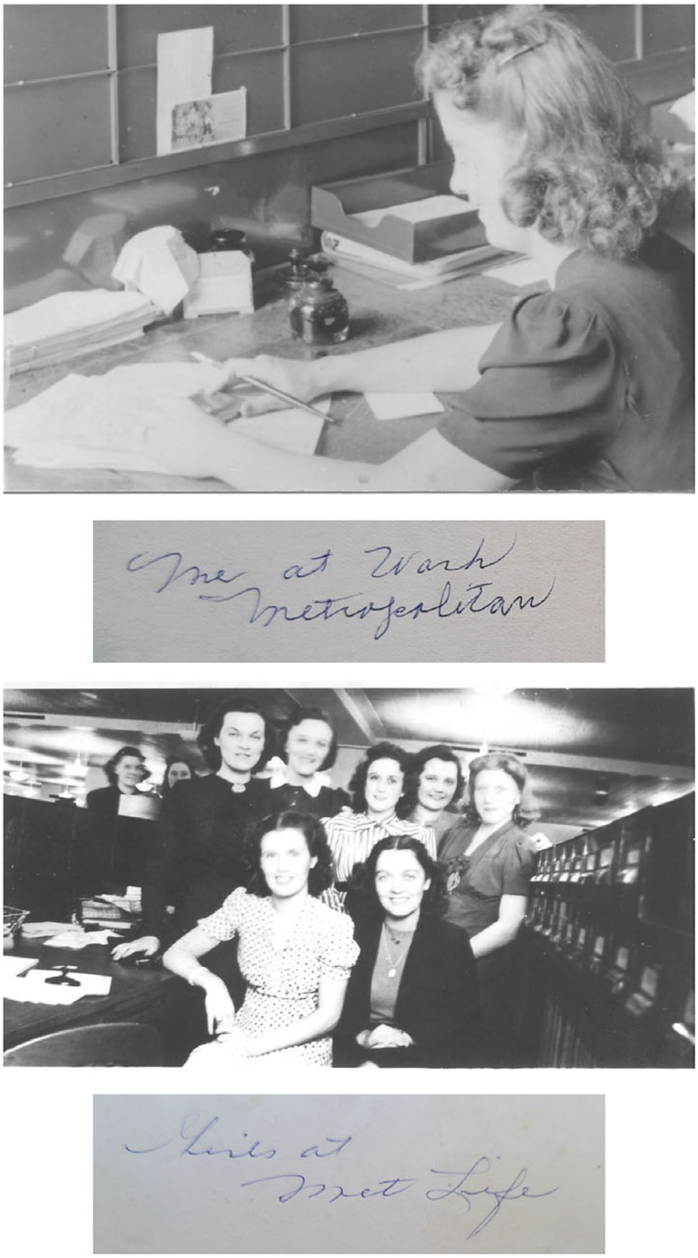

Figure 4. Author's grandmother working at Metropolitan Life Insurance Company (bottom right in second photo), late 1930s. Courtesy of author's personal collection.

Although the gendered world of clerical work was hardly dangerous to women's health, the popular belief that women belonged in the private domestic sphere of the home still prevailed among most Americans. While poor, foreign-born, and minority women often still needed to work to support their families, clerical work was reserved for middle-class, native-born, white

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women who should not need to work upon marriage. Thus, corporate marriage bars served the public interest by reinforcing separate spheres for the middle class. Of course, if this was an ideal to which most people already subscribed and aspired, one has to ask why formal marriage bars were even necessary. Wouldn't middle-class women *choose* to leave the workforce upon marriage, if that was the natural order?

Many of these marriage bars were put into place during the 1910s and 1920s, but the number of businesses adopting these policies further increased during the 1930s. The Great Depression added an additional public interest justification; as Claudia Goldin has argued, marriage bars were a "socially acceptable means of rationing employment during the 1930s."[45] Of course, this reasoning is also problematic. First, marriage bars prevented women from working regardless of the employment status of their husbands, and women would lose their position upon marriage even if they were the only breadwinner. And second, the types of jobs covered by most corporate marriage bars were highly gendered clerical positions. Married women would merely be replaced by unmarried women rather than by unemployed men.

Which naturally leads to the question of how marriage bars were bad for the public interest. First, for the people of the early twentieth century who *did* believe that married women should not work, the policies might have backfired by making women delay marriage and motherhood rather than quit their jobs. Certainly, many young people delayed marriage during the Great Depression due to economic uncertainty, and the disincentive of losing one's job might have further encouraged that delay.[46] While I have no direct evidence that my grandparents delayed their marriage due to the depression, there is certainly indirect evidence supporting this conjecture. My grandparents met and were dating by at least 1934, when my grandmother was twenty and my grandfather twenty-one years old. Age at first marriage for American women during the 1920s was 21.4 years, so statistically one would have expected them to marry by 1935.[47] But my grandparents dated for over four years, not marrying until 1938 when he was twenty-five and she was twenty-four. And my grandmother continued working another two years, until pregnancy—not marriage—at the age of twenty-six removed her from the workforce. With the economy in recovery due to wartime demands, my grandfather was now able to support his growing family without her income.

Looking back from the twenty-first century, we can see the many other ways that these marriage bars were bad for the public interest. As Goldin also argues, marriage bars discouraged women from investing in greater skills that they would not be permitted to utilize. "They might become typists…but they had less incentive to become accountants," and thus these "restrictions lowered married women's rate of return to education."[48] But we should also be querying the motives of the corporations who instituted these bars in the first place. Were they really doing it because it was in the perceived public interest, or was it more a convenient excuse aimed at their own profit maximization? The clerical jobs covered by most of these bars were "simple, repetitive, and not accompanied by a continued increase in productivity with experience." Thus, these marriage bars were "a socially acceptable way of terminating the

45. Goldin, "Marriage Bars," 511–112.
46. Hill, "Love in the Time of the Depression," 163–189.
47. Hill, "Love in the Time of the Depression," 167.
48. Goldin, "Marriage Bars," 530.

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employment of women whose wages would eventually exceed their addition to firm revenue," especially when there was a large pool of young, educated, unmarried women waiting in the wings to take their place at lower initial wage rates.[49] In contrast, by the 1950s most of these marriage bars had disappeared, even as the rhetoric around the ideal of the stay-at-home middle-class wife and mother was reaching its climax. Corporations increasingly recognized the value of retaining skilled and trusted employees, even in these gendered clerical positions.[50] And the workforce participation rate of women was changing worldwide. In the United States it gradually increased from 23 percent in 1920, to 25 percent by 1940, and to 28 percent by 1950 before jumping to 40 percent by 1960.[51] It was not the public interest rhetoric that had changed but rather the self-interest of the corporations themselves.

Marriage bars are an example of a corporate policy ostensibly made in the public interest that turned out to be harmful to that public interest. What about corporate policies made in the public interest that were harmful *both* to the public interest *and* to the corporation itself. There are numerous examples of this double harm. For example, many American corporations during the first half of the twentieth century potentially hurt their bottom line by refusing to hire black employees or sell to black consumers. At the time, a majority of white Americans endorsed segregation as being in the best interests of the public, and it would take several decades of organized, direct challenge from black Americans for this viewpoint to be reversed. Some of the greatest successes of the Civil Rights Movement came when they were able to convince businesses that support for segregation was hurting their bottom line. Marcia Chatelain's recent Hagley Prize and Pulitzer Prize–winning book *Franchise: The Golden Arches in Black America* examines this in the case of McDonalds.[52]

But the example on which I would like to focus is from my own research on banking and slavery. I argue that the evolving financial demands of planters during the 1810s and 1820s, particularly in the growing regions of the southern US frontier, propelled the development of innovative banking institutions to address their unique credit needs. Banks operating on the southern frontier were central to the movement of vast numbers of people—both free and enslaved—to the fertile cotton and sugar lands of the American South, which drove the rapid development of the United States by midcentury with its dependence on a slave economy. In all likelihood, without this financial infrastructure, the settlement of the South would have been much slower, with smaller plantations and a much-reduced domestic slave trade.[53]

During the panics of 1837 and 1839, southerners quickly found that they had overleveraged their human property. Frontier banks faced a choice: either foreclose on slaveholding customers and sell their plantations and enslaved workers at a severe loss (which likely would have had a catastrophic effect on the slave economy of the region) or renegotiate more lenient terms with debtors, which would put the security of the bank itself at risk. In this case, what was best for the public interest—meaning what was in the best interest of the slaveholders—was leniency. Especially in the case of the largest debtors, the banks often treated them as "too

49. Goldin, "Marriage Bars," 520.
50. Goldin, *Understanding the Gender Gap*, 161.
51. Ortiz-Ospina, Tzvetkova, and Roser, "Women's Employment," March 24, 2018.
52. Chatelain, *Franchise*.
53. Murphy, *Banking on Slavery*.

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big to fail," repeatedly renegotiating loan contracts to avoid—at almost any cost—the seizure and sale of land and human property amid the downturn. Having invested so heavily in plantations and enslaved lives during the 1830s, most banks chose to prop up the system of slavery rather than oversee its collapse. By serving as a financial safety net for slaveholders during the depression, frontier banks helped lay the foundations of the southern economic boom during the 1850s. Yet the willingness of banks to embrace long-term mortgages on land and human property, and their leniency toward many delinquent slaveholders during the depression itself, ultimately resulted in the failure of a large percentage of banks—particularly in the frontier South. In effect, many frontier banks sacrificed themselves at the altar of the slave system. Slavery would survive, but at the expense of the banks. In hindsight, it is easy to say that propping up slavery was a decision that was bad for the greater public interest of the United States (even if it was beneficial to the narrower interests of the slaveholders.) And what was bad for the public interest turned out to be bad for the banks as well, as most of them went bankrupt as a result.

Thus, in my story, doing business in the public interest has gone from "doing well by doing good" to "doing badly by behaving badly." Where does this leave us? Some might say that this validates Milton Friedman. The public interest is just too changeable, too conflicting, too fraught with the potential to do harm to justify the risks to a business enterprise. Therefore, we might as well not even try. And yet, just as Roland Marchand documented for the 1890s–1930s, the desire for corporations to demonstrate that they have a conscience—if not an actual soul—remains extremely high. A 2023 survey conducted by Gallup and Bentley University found that "Over 80% of Americans believe it is extremely important that businesses make money in ethical ways and compensate all workers fairly, but less than one-third think businesses are effectively doing both." The respondents attribute this failure to a lack of effort rather than a lack of ability. "Eighty-eight percent of Americans believe businesses have a 'great deal' or 'some' power to positively impact people's lives; [although] only 58% say these organizations are very or somewhat effective in doing so." The respondents also claim that being socially responsible affects their own employment choices. "Seventy-one percent of workers under 30 would move jobs to make a greater positive impact on the world, and 29% of such workers would take a 10% pay cut to do so."[54]

Corporations are not people, but they are composed of people—with all their many flaws. If the corporation has a soul, if it has a conscience, it is only because of the choices ultimately made by those same flawed people. There is a very old saying: the perfect is the enemy of the good. Corporations doing business in the public interest are not always going to get it right. And there are times when they may get it very, very wrong. But, as is the case with issues such as the climate crisis, the potential benefit of businesses harnessing their immense power on behalf of public interest is quite large. It may be asking too much to expect businesses to act on behalf of a public interest when it is potentially harmful to their existence, but it is not too much to ask them to consider the various public interests involved when they are making choices and to figure out how they can both do well and do good. But it is ultimately up to the public itself to be monitoring those decisions, both to reward those businesses that are

54. "Bentley-Gallup Business in Society Report," 2023.

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stepping up to the challenge and to discipline businesses—either through market mechanisms or government regulation—that are behaving in ways that are detrimental to one of many different public interests.

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