

*Dynasties: Fortunes and Misfortunes of the World's Greatest Business Families.* By David S. Landes. New York: Viking, 2006. xx + 379 pp. Bibliography, notes, index. Cloth, \$25.95. ISBN: 0-670-03338-3.

Reviewed by Harold James

The very distinguished Harvard economic historian David Landes first made his academic mark with a much cited article published in the *Journal of Economic History* in 1949, in which he argued that the prevalence of family firms in French economic history explained France's relative retardation. This thesis soon became a widely accepted explanation of the problems of the French Third Republic, and postwar France was then thought to have broken out by means of concerted state action, in particular the soft-style planning devised by Jean Monnet. Coupled with Alfred Chandler's account of family firms as being a partial and preliminary stage on the road to twentieth-century managerial capitalism, Landes profoundly influenced a generation of business historians.

A new book by Landes about family firms, which emphasizes their ubiquity, their importance to developing and emerging economies (they play a vital role in the spectacular booms of India and China), as well as their dynamism, is thus a remarkable event. Landes quite rightly begins and ends his book by emphasizing the importance of family capitalism: "Clearly, then, the family firm is not about to disappear. . . . The vast majority of new businesses throughout the world remain family enterprises, and I believe this will remain the case for the foreseeable future" (p. xv). He also quotes some investigations that show firms in which families have a substantial presence as better performing, though he does not go into the tricky statistical problems of measuring the comparisons (since some firms drift in and out of family ownership).

Nevertheless, as Landes richly documents in this eminently readable book, there is obviously plenty of scope for families to make bad mistakes. When there is a very dynamic and authoritarian founder, subsequent generations often find it hard to innovate, and they may fall back to a life of leisure and emulation of the aristocracy, creating the "Buddenbrooks effect" memorably described in Thomas Mann's first blockbuster novel. Actually, this story shines through in most of the case stories of prominent business

dynasties. It is reminiscent more of Landes 1949 than a support for the thesis of the strength of family capitalism announced at the beginning of Landes 2006.

The book begins with the Barings, whose unbearable snobbery and anti-Semitism played a striking part in their business decline; it ends with the French case of the de Wendels, from the beginning an aristocratic family with a strong political engagement, always for very conservative causes (though Landes is kinder to the Wendels than he is to most of the business dynasties he examines). The Fords found managing the succession very hard, and Landes tells the familiar story of how Henry demoralized and destroyed his son Edsel. The same demolition of children characterized the Agnellis, whose line of succession went from the founder Giovanni to his grandson, another Giovanni (“Gianni”), and most recently, after the death of Gianni, skipped a generation to pass to his grandson John Elkann. The Agnellis (whose history is described as “the Latin pattern”) also went in for a great deal of fun, mostly (as Landes describes it) sexual. The Guggenheims, Rockefellers, and Schlumbergers moved from politics to collecting, foundations, patronage, and politics. In the case of the Schlumbergers the politics was very cranky. While the Rothschilds did much better than the Barings, there is no doubt about the decline of their family firms’ significance since the nineteenth century. In fact, the only family that comes off well based on the stories told in this book are the Toyodas (of Toyota fame), an achievement largely accounted for by the fact that the Japanese family readily takes in relations by marriage (in striking contrast to the western European patrilinear family). So the case in support of Landes 1949 might hold true for Europe, whereas the new dynamism of Asian family firms could be attributed to the different family structures in Europe and Asia.

Landes recognizes that a central question is why some families do better than others—why generational transitions are easier and quarrels less destructive. But he does not adequately answer that question. Instead, Landes often refers back to a version of Max Weber’s famous thesis about Protestantism and the capitalist ethic, and then, following Werner Sombart, extends Protestantism to include Judaism. But this treatment of particular religions as a source of capitalist strength is not now widely accepted, and Landes also tells his story in a skewed way. Thus religious piety is central to the Rothschild story as he tells it, as well as to that of John D. Rockefeller, and much is made

of the frivolous, unbusinesslike, and indulgent Catholicism of the Agnellis. But the long-term Catholic piety of the de Wendels, which was a vital part of their business model (and was important for their concept of labor relations), is left unmentioned and unexplored.

The writing is quick-paced and staccato. There are a surprising number of sentences of four words or less. In line with a book intended for a popular audience, plenty of attention is given to sexual escapades (even when the stories are not based in fact, as in Landes's allegation that Eduardo Agnelli's widow, Virginia Bourbon del Monte, died because she was fellating her boyfriend while driving a car). In what seems a poor compromise over space, some more telling stories are consequently omitted, such as (in the Fiat case) Giovanni Agnelli's use of the resources of the Italian state under fascism in his campaign against Virginia. A more thorough book on the reasons for family success (as opposed to a demonstration of family fecklessness) would do better to examine marriage strategies more systematically while recounting the exploits and attributes of mistresses and boyfriends in less exhaustive detail. There is, however, much more of Landes 1949 in Landes 2006 than at first sight appears.

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