The History of the US Automobile Industry: A Psychological Inquiry

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The US auto industry has been in-and-out of crisis for a number of decades; the question is why? To begin answering this question, the present paper will undertake a case history dating from 1893 (the date of the first one-cylinder car) to the present day, focusing on the ‘boom’ of the early 1900s and the industry’s recent history.

In doing so, this paper will look at how theories in organisational behaviour, psychology and the decision sciences, as well as experimental economics, can benefit from such an historical study. And in a reciprocal nature how those fields of study inform our understanding of why the organisations within the industry behaved in the manner in which they did.

More specifically, the paper will focus on the exploration-exploitation paradigm identified across the aforementioned literature, and will show how psychological factors led car companies to make suboptimal decisions, exploiting known alternatives rather than searching for new opportunities.

Therefore the purpose of this paper is threefold. First, it seeks to undertake brief historical research into the US auto industry. Second, it seeks to show how such research will inform a wide-range of literature. Finally, the paper will demonstrate how those areas of study inform our own understanding of the aforementioned historical events.

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