

To: Interested parties
From: Daniel Raff
In re: Revised Syllabus for MGMT 225 and 714 for the Spring term of 2010

This body of this memo is a tentative syllabus for MGMT 225 and 714, which in the Spring term of 2010 (2010A) will meet Tuesday afternoons (i.e. only) from 3 pm to 5:40 pm (or so sometimes, but even when running long ending comfortably before 6). A revised version of this memo will be available sometime in December. (I am teaching the course this term and have a number of ideas about possible changes which I want to explore a little before finalizing the Spring syllabus.)

This course concerns the evolution of the institutions of American business. There may be some sidelong glances abroad though mostly in the beginning and at the end. In the main body of the course, there will be both big picture and (quite a lot of) industry and firm detail. The focus will be much more on actual business administration than in the MBA Pre-term lectures of Professor Tiffany which some of you may have attended. In terms of the functional courses in the Wharton core curriculum (accounting, finance, operations, marketing, etc.), the perspective of this course is fairly synthetic. It is about the operation of whole enterprises, then, now, and into the future.

One student this term suggested that I omit “American Business History” entirely from the title. Yes, the readings were historical and yes, the chronological structure gave a sense of development and evolution; but he thought that a title beginning “Value Creation, Value Capture, and ...” would give a clearer picture of what he was getting out of the course. I am very interested in the developmental and evolutionary aspects of the material we cover, and we need a process taking place over time to get at that. But there definitely is something to what he was saying. This is history; but it is also an applied strategy course.

It is for this reason that Wharton and other undergraduates contemplating work for consulting firms may find this firm useful background. Law School students contemplating going into transactional work may also.

I will inevitably have to lecture about some of the material; but as much as possible, I want to run the class sessions in discussion format. I am organizing readings I hope will support and facilitate this. My hope is that students in the course will play an active role in the classroom. It is much more fun for everyone that way.

Readings, memoranda, and important announcements will be posted on a course webpage accessible to those registered for the course. There will be no readings assigned for either the first or the last session.

The formal requirements of the course are as follows. Students will be expected to (1) prepare all the assigned readings, (2) write one brief “thought paper” (see below for details) each week prior to class, (3) attend all classes (see below for what this means),

(4) participate in class discussion, and (5) write a term paper on a mutually acceptable subject (again, see below), due at the beginning of the final class.

The basis for grade assignment will be a 35-65 weighted average of marks for class participation (which will be sensitive to the quality of the thought papers) and on the term paper. These scores will be ordered. Conditional on responsible preparation and attendance, individuals' grades will be assigned on the basis of position in that order and the standard curve of the student's home School at Penn (Wharton, SAS, Law, etc.) If any student's home School has absolute rather than relative grading standards, these will be honored. In the I hope unlikely event that an individual's preparation or attendance seem less than responsible, the grade will be adjusted appropriately.

I do understand that emergencies do happen sometimes in life. I will make reasonable accommodation on preparation and attendance requirements for specific classes in specific cases. Please be in touch in advance via raff@wharton.upenn.edu.

"Thought papers" are 1-2 pp. (at the very most 3 pp.) essays responding analytically or critically to some element of the week's reading. (Comparisons, contrasts, or other relationships between readings—either within one week or between weeks—are also fine. The main point of the exercise is just to report some thinking about the readings prior to class discussion.) These are to be submitted to me via email prior to noon on the day of class.

Writing the thought papers may seem in the abstract like a burden. In many jobs into which Wharton (and, indeed, Penn B.A.) graduates move from here, however, the ability to write two-page analytical memo's under heavy deadline pressure fluently and without much stress is extremely valuable. Neither our program (nor, in general, the American educational system) gives students much practice at this. It's a very useful skill.

The basic idea for the term paper is that it should be about a course-relevant topic of interest to you but pre-approved by me. The point of the pre-approval requirement is simply to warn you about topics that might look appealing but seem, on the basis of my prior experience, likely either not to have enough material to sustain a whole paper or to prove overwhelming once you get down to work. (I want writing the paper to be a good experience in its substance and a manageable one in terms of its time demands.) I have in mind papers roughly 20 pp. in length. I should perhaps say what "roughly" means. In the past, papers shorter than 15 pp. have pretty consistently not seemed to get to grips with their subjects. Papers longer than 25 pp. have generally seemed unedited, though there have been some exceptions (the best of which I would have been happy to show the Dean or, come to that, the Provost.) I will give more details about suitable topics and framing in the opening class and will post them in memo form on the course webpage.

I will organize a series of group lunch dates and would very much like to have lunch with everyone relatively early on.

If you read this memo during pre-registration and have questions, please email me at the address given above and ask.

The provisional syllabus follows, starting on the next full page.

American Business History 2009A syllabus
020409

- Week 1
(January 19)
- Introduction, administrative matters, and the long view
Main subjects: American history, American economic history, and American business history (in a little bit of cross-sectional perspective). The conventional narrative and the project of this course.
Assigned readings: None
In-class handout: Tables from Angus Maddison, *The World Economy: Historical Statistics*, Steven Broadberry, *The Productivity Race and Market Services and the Productivity Race*, and Robert Gordon, “Interpreting the ‘One Big Wave’ in U. S. Long-term Productivity Growth” and “Two Centuries of Economic Growth: Europe Chasing the American Frontier”
- Week 2
(January 26)
- Pre-industrial America
Main subjects: Place and population. Economic opportunities. Characteristic forms of trade and commercial organization. A group of economic ideas useful for understanding these.
Assigned readings: Michelle Craig MacDonald, “The Early American Economic Landscape”. Franklin sale-of-printing-business contract (1748) [Look closely at the Ben-on-a-bench statue before reading this.] . American Fur Company (i.e. Astor) *voyageur* contract (early 1800s). Weems-Carey correspondence (1796-1809).
In-class slide show: Colonial America and colonial and Federal Philadelphia (social and economic)
In-class handout: Correspondence and excerpt from Carey’s autobiography on the standing-type Bible. Excerpts from Commonwealth v. Pullis (the Philadelphia Cordwainers case) (1806) if time permits.
- Week 3
(February 2)
- Industrial revolution(s) in textiles
Main subjects: Further useful economic ideas. The New England industrialization in textiles in Rhode Island and Massachusetts from an entrepreneurial and managerial perspective. Philadelphia firm practice and trade organization story as an alternative approach.

Assigned readings: Samuel Slater contract with William Almy and Smith Brown (1790). An Act defining the General powers and Duties of Manufacturing Corporations (1809). An Act to incorporate the Boston Manufacturing Company (1813). Articles of Agreement between the Associates of the “Boston Manufacturing Company,” previous to the Organization of the Corporation (1813). Nathan Appleton “The Introduction of the Power Loom, and the Origin of Lowell” memoir (1858).

In-class slide show: Textile technology, the New England landscape, the New England industrialization, and some human resources history of Lowell

In-class handouts: Table from Eric Hilts, “When did Ownership separate from control”. Various observations pm the organization of the Philadelphia trade at mid-century sourced from Philip Scranton’s *Proprietary Capitalism* on

Week 4
(February 9)

Railroads (in the best possible light)

Main subjects: Development of a national transportation and communications infrastructure. The coming of the railroads. The challenges of running one effectively

Assigned readings: Albert Fink, “Classification of Operating Expenses” from the *Annual Report of the Louisville and Nashville Railroad* for 1874. Edgar Thompson, “Pennsylvania Railroad 1857 Report”.

In-class slide show: The coming of the railroads

Week 5
(February 16)

Railroad shenanigans

Main subjects: The Erie Wars. The received wisdom and the actual rise of Rockefeller. Rockefeller as a prototypical Robber Baron and his adventures with the muckrakers

Assigned readings: Excerpts from Charles Francis Adams, *Some Chapters of Erie*. Contracts to establish the South Improvement Company (1871-2).

In-class slide-show: Oil and Rockefeller

In-class handout: Excerpts from Ida Tarbell, *History of the Standard Oil Company* (1904).

Week 6
(February 23)

Basics of the Second Industrial Revolution

Main subjects: The canonical Second Industrial Revolution in manufacturing (via Carnegie) and distribution (via Marshall Fields)

Assigned readings: Excerpts from Lewis Atherton materials on early CXIX country storekeeping. Articles from *Hunt's Merchants Magazine* on Philadelphia dry goods stores in the 1850s. Articles from Chicago newspapers and magazines on Marshall Fields ca. 1870 and 1900.

Week 7
(March 2)

The SIR inside the firm and inside industries
Main subjects: Significance of SIR for organization of production and workplace relations
Assigned readings: David Montgomery "The Foreman's Brains Are Under the Workman's Cap," from his *Fall of the House of Labor*. Frederick Taylor excerpts from *Shop Management* (1903) and related sources. Congressional testimony from the hearings on the Homestead strike.
In-class video: "The River Ran Red"

NB: No Class on March 9 due to spring vacation. Please do review the readings and read over your Week 7 thought paper prior to class on March 16.

Week 8
(March 16)

The SIR embedded
Main subjects: Legal and financial contexts (the latter including corporate bankruptcy in late nineteenth-century America). Alternative industrial models
Assigned readings: Excerpts from Thomas Navin and Marian Sears, "The Rise of a Market for Industrial Securities 1887-1902". Excerpts from Louis Brandeis, *Other People's Money* (1914).
In-class handouts: Legal documents organizing the Standard Oil Trust. Excerpts from John Sherman's speech on the Senate floor and from the Sherman Anti-Trust Act of 1890. Statistics on the Great Merger Movement. Perhaps also excerpts from *Northern Securities Co. v. U.S.*

Week 9
(March 23)

More of the same (SIR) or something different?
Main subjects: Alternative industrial models. The Ford Motor Company as a manufacturing enterprise. The distribution enterprises of Sears and the Book-of-the-Month-Club.
Assigned readings: Excerpts from John Brown, *The*

Baldwin Locomotive Works, 1831-1914 and Thomas Kinney, *The Carriage Trade*. Selections from the Sears Catalogue of 1904. Possibly excerpts from Boris Emmet and John Jeukes, *Catalogues and Counters* (1950). Initial advertisement for the Book-of-the-Month Club (1926).

In-class slide show: Making cars (and making men) at Ford
 In-class handouts: Text of the announcement of the Five Dollar Day.

Week 10
 (March 30)

The Twenties as a Time

Main subjects: Structural change in the economy. Change in available technology and infrastructure. Human resource management as industrial practice. Boom times.

Assigned readings: TBA but to include, an unpublished essay of Paul David and Gavin Wright, excerpts from *Lochner v. New York*. and Sumner Slichter, "The Current Labor Policies of American Industries," *Quarterly Journal of Economics* 43 (May 1929), and excerpts(on the windup) from John Kenneth Galbraith, *The Great Crash*.

Week 11
 (April 6)

Crashes, Contexts, and Creation both in the Large and in the Small

Main subjects: The Great Depression and contractionary dynamics. The New Deal and Business. Origins of intellectual property in America, nineteenth-century markets in IP, and the industrialization of invention.

Assigned readings: Further excerpts from Galbraith, *The Great Crash* (1955). Excerpts from Adolf Berle and Gardiner Means, *The Modern Corporation and Private Property*. Excerpts from Alexander Hamilton, *Report on Manufactures* (1791). Excerpt from Paul Israel, *From Machine Shop to Industrial Laboratory* (1992). Naomi Lamoreaux and Kenneth Sokoloff, "The Market for Technology and the Organization of Invention in US History".

In-class handouts: Tables and Figures from Timothy Bresnahan and Daniel Raff, "Intra-Industry Heterogeneity and the Great Depression" and "Technological Heterogeneity". Excerpts from 1938 Bankruptcy Act.

Week 12
(April 13)

The long boom and some more micro developments
Main subjects: Keynesian context. The fruits of a small import sector. Conglomeration movement and the birth of a market for corporate control. What happened to retailing.

Assigned readings: Contemporary reports on the Flint Sit-Down Strike of 1936-37. LaFollette Committee affidavit of Genora Johnson. Press release and excerpts concerning 1948 GM-UAW Master Contract. IT&T materials.

In-class handouts: Selected clauses from the GM-UAW Master Contract (63(b) plus others). Excerpts from an early 1960s ITT 10-K.

Week 13
(April 20)

Technology Transitions (A Third Industrial Revolution?)
Main subjects: Troubles and opportunities in distribution and manufacturing (industry focus on some subset of books, cars, pharma, and IT, institutional focus on vertical structure, IP), further post-war capital markets history to the 1990s.

Assigned readings: TBA

Week 14
(April 27)

Brave New World?

Main subjects: Recent patterns of national economic growth and related developments in the international division of labor; recent developments in financial markets, and the financial services industries.

Readings: None—take the time to do a good job on your papers!