VALUE CREATION AND VALUE CAPTURE IN AMERICAN BUSINESS HISTORY
MGMT 714/225
2017A

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Tuesdays, 3:00 – 5:40
Room tba

Version of 103016

The course and its organization

This memorandum gives some basic information about MGMT 714 as it will go on in the Spring term of 2017 (2017A). A tentative syllabus is presented below and will be circulated in the opening class. Its contents will be open for discussion in that class and via email through the several days following. A finalized syllabus will then be circulated to all enrolled students and posted on the course webpage.

The course will meet in a double-length block on Tuesday afternoons from 3 pm to 5:40 pm (or so sometimes, but even when running long ending comfortably before 6). Versions of the course have in the past been offered to mixed audiences of undergraduates and MBA’s and this will be the format for 2017A. The two groups seem to mix reasonably easily.

This course concerns the evolution of the institutions of American business. There will be some sidelong glances abroad, though these would be confined almost entirely to the beginning and the end of the term. 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 on the grand sweep of American economic development and its social context in the background. 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. Anyone committed to a career in business but curious about history or curious about how developments in those particular aspects of business fit into the long arc of American history may find this of interest. Those contemplating work for consulting firms, transactional work, or investing may also find this useful professional background. This is less because of the strictly historical aspect of the course than because the course is at its heart about embedded actors and entrepreneurs confronting changing conditions and emerging opportunity. (Students reviewing the syllabus proper below will note that I try hard to use original source material when I can, on the principle that it puts readers closest to a participant’s-eye
view.) The vividness of the situations and stories entirely aside, there is a good deal of general utility to be learned by looking, reflecting, and absorbing.

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, generally a week before the class in question. (I will send everyone an email once the registration list is in and the website up and accessible.) There will be no required 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 actively 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. The usual curve for MBA courses will be in force. 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 welcome. The main point of the exercise is to provoke systematic thinking about the readings prior to class discussion.) These essays are to be submitted to me via the course webpage by the end of your work day on Monday (which I appreciate may be in the small hours of Tuesday morning). Please note that I will begin reviewing them when I get up (early) on the Tuesday morning.

Writing the thought papers may seem in the abstract like a burden. In many jobs into which Wharton graduates move from here, however, the ability to write a two-page max analytical memo 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 is 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 initially 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 to 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 hope to organize a series of group lunch dates and would very much like to have lunch with everyone relatively early on.

If questions, remain in your mind after reading this memo, by all means email me at the address given above and ask.

Entirely optional but perhaps useful sources for background on general US history

Students, especially non-US nationals, occasionally ask for a suggested background reading, perhaps for consumption in small installments, covering general US history. Actual course textbooks tend to be overwhelming in their size (they usually resemble cinderblocks) and detail. The Wikipedia article (which more resembles a telegram, or perhaps even a telegraphic version of a telegram) lies at the opposite extreme. (Which is not to say that it isn’t useful as a kind of parachutist’s view if ever you should want one.) In between you might look, if you were curious, for Paul S. Boyer, American History: A Very Short Introduction (Oxford: 2012), which I believe the Penn Book Center on 34th Street tries to keep in stock and is also of course available from www.oup.com directly or from Amazon, and, at greater length but with appealing curiosity and massive charm, Alistair Cooke, Alistair Cooke’s America (Knopf, 1973, many times reprinted, also pb Basic Books, 2009), which you would probably need to buy used over the Internet (try www.abebooks.com if you do not have a preferred alternative). (Boyer is a history professor. Cooke was for nearly sixty years the BBC’s American correspondent and may be more familiar as the initial presenter for Masterpiece Theater. [It would take a heart of stone not to add that he is the also only author referred to in this syllabus or course who has a Sesame Street character named after him.])

Daniel Boorstin—for many years a history professor and for twelve years the head of the Library of Congress—wrote a series of books under the general heading The Americans in three parts: The Colonial Experience (New York: Random House, 1958) The National Experience (New York: Random House, 1965), and The Democratic Experience (New York: Random House, 1973) that can also be recommended: none of the volumes is short
but all are compulsively readable, vivid, and full of acute observations and general stimulus. (You will judge correctly from the continuing participation of Random House in the project that the target audience was general readers and that the books sold very well indeed.) D.W. Meinig takes a different sort of perspective in his remarkable *The Shaping of America: A Geographical Perspective on 500 Years of History* I. Atlantic America II. Continental America 1800-1867 III. Transcontinental America 1850-1915 IV. Global America 1915-2000 (New Haven: Yale University Press, 1986-2006). It’s also worth a look if you should ever find yourself on the fifth floor of the library with a moment to spare.

John Gunther’s *Inside U.S.A.* (New York: Harper, 1947) is an interesting more granular look at the nation—at a moment in time but with lots of sense of history. Neal Peirce and Michael Barone have various rather more recent books (each) which do a related but similar sort of thing with more quantitative evidence.

**Digging more deeply**

After each class, I will distribute, if desired, reading suggestions for those who might want to probe more deeply into issues, institutions, or individuals related to the week’s readings and discussions. But it’s better to do this afterwards, so that everyone in the room on the day is operating with more or less the same information base. (For this reason, these references do not appear in the list that follows.)

(The syllabus proper starts on the next page of this document.)
The syllabus proper

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The following is a proposal, not a contract. There may well be revisions prior to the New Year. There will be a final version after consultation with those attending the opening class session (January 17).

Week 1
(February 17)
Introduction, administrative matters, the long view, and the top-down one
Assigned readings: None

Week 2
(February 24)
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, mainly on the standing-type Bible. Excerpts from Commonwealth v. Pullis (the Philadelphia Cordwainers case) (1806) if time permits.

Week 3
Industrial revolution(s) in textiles and the idea of a corporation
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.


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

More on corporations and some (good) on railroads

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


Assigned video: “Moby Dick” YouTubes tba.

In-class slide shows: The coming of the railroads.

Railroad shenanigans and shenanigans more broadly

Main subjects: How to think about term paper subjects. Fink carried over. The Erie wars. Building the Union Pacific Railroad. The received wisdom and the actual rise of Rockefeller. Rockefeller as a prototypical Robber Baron and his adventures with the muckrakers

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

**Week 6**  
(February 21)

**Basics of the Second Industrial Revolution**

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


In-class slide-show: Oil and Rockefeller in a second light

**NB: No class on February 28th. Class resumes on March 14**

**Week 7**  
(March 14)

**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*. Congressional testimony from the hearings on the Homestead strike. Frederick Taylor excerpts from *Shop Management* (1903) and related sources.

Assigned video: “Steel: From Start to Finish”YouTube video

In-class video: “Steel: From Start to Finish“, possibly also “The “River Ran Red”

**Week 8**  
(March 21)

**The SIR embedded**

Main subjects: Some political context for the developing regulation of competitive behavior. Legal and financial contexts for business development (including corporate bankruptcy in late nineteenth-century America, also developments in the legal status of corporations). What became of the SIR.


Week 9  
(March 28)  
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: Statistics on the Great Merger Movement?  
Excerpts from John Brown, The Baldwin Locomotive  
Works, 1831-1914 and Thomas Kinney, The Carriage  
Trade. Colvin, “Building an Automobile Every 40  
Seconds”  
In-class handouts: The original ASCAP contract (with a Broadway  
restaurant in New York), the 1932 ASCAP contract with  
the NBC radio network, and Spotify’s press release  
concerning Taylor Swift  
In-class slide show: Making cars (and making men) at Ford

Week 10  
(April 4)  
The Twenties as a Time  
Main subjects: Structural change in the economy. Change in  
available technology and infrastructure. Human resource  
management as industrial practice. Innovations in  
distribution. Boom times (including in the financial  
services industries).  
Assigned readings: Sumner Slichter, "The Current Labor Policies  
43 (May 1929), Robert E. Wood memorandum. Curtis  
Publishing Company, “Where Do the Best Customers  
Live?” Excerpts from the 1926 Sears Catalogue. Initial  
Book-of-the-Month Club advertisement. Excerpts (on  
1920s Wall Street) from John Kenneth Galbraith, The  
Great Crash.  
In-class handouts from Paul David and Gavin Wright, "Early  
Twentieth Century Productivity Growth Dynamics: An  
Inquiry into the Economic History of ‘Our Ignorance’",  
possibly others.
Week 11  Crashes, Contexts, and Creation both in the Large and in the Small  
(April 11) Main subjects: Changes in finance and firm-level organization and incentives. The Great Depression and contractionary dynamics. The New Deal and Business as a general matter. Bleak times as good times for innovators.. Changed conditions on the labor management front.  
In-class handouts: Tables and Figures from Timothy Bresnahan and Daniel Raff, “Intra-Industry Heterogeneity and the Great Depression” and “Technological Heterogeneity”, perhaps others.

Week 12  The Long Boom and immediately subsequent developments  
Assigned readings: TBA but to include the 1948 GM-UAW Master Contract. Klein (or Gladwell) on GM and health care. Possible excerpts from an early 1960s ITT 10-K and a newspaper article on General Electric’s April 2015 announcement concerning GE Capital.  
In-class handouts: Tables on the 80s from Bhagat, Schleifer, and Vishny and Kaplan and Stein, probably others.

Week 13  Some particular loose ends and wrap-up  
(April 25) Main subjects: To be determined  
Assigned readings: None. (You’ll have been finishing your term paper. Let’s be realistic.)

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