The course and its organization

This memorandum gives some basic information about MGMT 714 and 225 as they will go on in the Spring term of 2019 (2019A). 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 2019A. The two groups seem to mix reasonably easily. Sometimes the mixing is quite productive.

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 had by looking, reflecting, and absorbing. It may be worth adding
that past students also report finding that there is a great deal of utility in the value
creation and value capture perspective.

The course could be thought of as proceeding in six basic pieces. First comes an
introduction to the subject matter, themes and tools. We then begin to proceed at once
chronologically and thematically. The first (and brief) substantive section is a curtain-
raiser: it exposes, so to speak, the pre-history, a glimpse at the American economy prior
to the industrial revolution. We then spend three classes on the emergence of an
industrial economy as this first materialized. A longer third substantive section concerns
the so-called Second Industrial Revolution. (You might think of this as the golden days
for both the economy overall and for at least some of the businesses comprising it as
well.) This takes us up through the post-WWII years into the 1960s. We then proceed to
a section you might think of thematically as “What could possibly go wrong?” A short
section on thinking about firms and their strategies in a positive way will conclude.

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. I am hopeful that we will
have a number of students such that this fully engaged mode will be easy.

Readings, memoranda, and important announcements will be posted on a Canvas 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 event—I hope an
unlikely one—that an individual’s preparation or attendance seem less than responsible,
the grade will be adjusted appropriately.

I do understand that emergencies 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 detail about suitable topics and framing in the opening class and will circulate a memo, which we will discuss in class in Week 5, once the course is under way and students have some experience with its perspective.

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

The University academic integrity rules (see http://www.upenn.edu/academicintegrity/ and, after reading that, follow the “Acknowledge your sources” embedded link) will of course apply for all written work. Please also note the “Electronics in the Classroom Policy” text at https://mba-inside.wharton.upenn.edu/wharton-mba-academic-policies/. (This text definitely means no open phones other than by pre-arrangement in emergency situations. In this particular course, many people will want to be able to consult the readings electronically while we discuss them and that is fine. But the linked policy is clear that there is to be no use of electronics during class for non-educational purposes and I will expect you to honor this.)

If questions, remain in your mind after reading this memo, by all means please 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](http://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](http://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 at the University of Chicago 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 enthusiastically 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). These are 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

Value Creation and Value Capture in American Business History
MGMT 714/225
2019A
Version of 120418

The following is a proposal, not a contract. There may well be revisions prior to the beginning of term. Please email the instructor if you want to see the most recent version. There will be a final version after consultation with those attending the opening class session (January 22).

Week 1
(January 22)
Introduction, administrative matters, the long view, the top-down one, and what the top-down one misses
Assigned readings: None

Week 2
(January 29)
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  
(February 5)  
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.  
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. [If  
you should go to the flicks at the Ritz at the Bourse the  
weekend before, pause to eyeball the Bourse building  
across the street before or after going in.]  

Week 4  
(February 12)  
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 readings: Materials on Delaware Whaling and  
incorporation. Albert Fink, “Classification of Operating  
Expenses” from the Annual Report of the Louisville and  
Nashville Railroad for 1874. Edgar Thompson,  
“Pennsylvania Railroad 1857 Report”. [Should you pass  
through 30th Street Station before this class, take a moment  
to look at the sculptural panels in the large foyer to the  
north of the lobby (on the way, e.g. to the bathrooms).]  
Assigned video: “Moby Dick” YouTubes. (see Study Questions).  
In-class slide shows: The coming of the railroads.  

Week 5  
(February 19)  
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)

**NB: No class on February 26. (We will discuss on the 19th what you might want to do with the prep- and class time. [Whatever else, however—Spring Vacation being Spring Vacation—it should probably include prepping the March 12th class.])**

**NB: No class on March 5 (no classes March 2-10) due to the University Spring Term Break.)**

**Week 6**  
(March 12)  
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

**Week 7**  
(March 19)  
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 26)  
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 and some brief consideration of the forms of innovation and the sources of consequent productivity growth.


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<th>Week 9 (April 2)</th>
<th>More of the same (SIR) or something different?</th>
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<td>In-class handouts: Statistics on the Great Merger Movement. 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.</td>
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<td>In-class slide show: Making cars (and making men) at Ford</td>
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<th>Week 10 (April 9)</th>
<th>The Twenties as a Time</th>
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(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 (April 16)**

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

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 (April 23)**

The Long Boom and some immediately subsequent developments (the latter in the vein of “What Could Possibly Go Wrong?”)

Main subjects: The war as mobilization and as environment. Labor relations post-war. The triumph of Keynesian and the fruits of a small import sector. The Conglomeration movement and the birth of a market for corporate control. Subsequent opportunities, who seized them, and how that went wrong. Other things that could and sometimes did go wrong as well.

Assigned readings: TBA but probably to include excerpts from Lichtenstein, *Labor’s War at Home*, and Wilson, *Destructive Creation*, also the 1948 GM-UAW Master Contract and an article on the Toledo plan from *Fortune*, perhaps a little local newspaper coverage as well. Possibly also brief background materials tba on the history of RCA. (Or perhaps, time permitting, I will just lecture these in.)

In-class handouts: Tables on the 80s from Bhagat, Schleifer, and Vishny and Kaplan and Stein, probably others.
More on “What Could Possibly Go Wrong?”, how to think about that, and wrap-up

Main subjects: Loose ends from the preceding session if any. Evolution of manufacturing and competitive advantage in it. Evolution of the innovation system and what became of the rents. Cases in tight focus to be determined, but as of end July probably the life-cycle of Borders, the rise of Amazon and the question of its Whole Foods acquisition, and possibly others.

Assigned readings: None. (You’ll have been finishing your term paper. Let’s be realistic.)

NB: Term paper due in class as of the beginning of class