The Coming of Managerial Capitalism: The United States

Course Syllabus

Professor Tom Nicholas
Class 1: Alexander Hamilton, 1757-1804

Materials

Alexander Hamilton 1757-1804 (Weeks 1&2 packet); not available online.

Alexander Hamilton Summary Slides

Assignment

1. Let us imagine that this is the year 1789 (i.e., prior to the implementation of Hamilton’s plan) and that you are a wealthy European looking for a place to invest some excess funds. What are the best arguments for and against investing in the United States?

2. What were Alexander Hamilton’s major public policy proposals? How might they serve to strengthen the young nation?

3. Would you be more, or less likely, to invest with the implementation of Alexander Hamilton’s plan?

Class 2: Whaling Ventures

Materials

Whaling Ventures

Whaling Ventures Summary Slides

Assignment

1. With respect to the following categories, how did the early whaling industry operate?
   A) Financing B) Organizational Structure C) Human Capital D) Risk Management E) Communications

2. What were the major challenges and opportunities associated with each of these categories?
3. What insights does whaling provide about the nature of entrepreneurship during this period?

Class 3: The Ice King

Materials

The Ice King
The Ice King Ice King Summary Slides

Assignment

1. Entrepreneurship can be defined as “the relentless pursuit of opportunity without regard to the resources currently controlled.” According to this definition, would you describe Tudor as being entrepreneurial?

2. How does Tudor think about opportunity assessment, team building, and strategy? What are his competencies and what are his limitations? 3. What, if anything, is uniquely American about Tudor’s entrepreneurship?

Class 4: The Travails of Rubber: Goodyear or Badyear?

Materials

The Travails of Rubber Goodyear or Badyear?
Goodyear Summary Slides

Assignment

1. Why did Charles Goodyear fail to profit from the discovery of rubber vulcanization? How would you assess his commercialization efforts

2. To what extent was the patent system to blame? Is this a case of misguided entrepreneurial decision-making, or failure in the institutions of intellectual property?

3. In your view, did patents promote, or hinder, innovation during the time period covered by the case? Would your answer be different if the question was based on the way patent systems function today?

Class 5: Slavery

Materials
Slavery

Slavery Summary Slides

Assignment

1. In 1845, the *Narrative of the Life of Frederick Douglass, an American Slave, Written by Himself*, was published. On the advice of friends, who feared for Douglass’s freedom and safety, he traveled to Britain, where he was widely respected and celebrated as a hero for his abolitionism. In 1847, Douglass returned to the United States. Why do you imagine that Frederick Douglass came back?

2. Slavery, like other human institutions, was the outcome of a complex series of human choices and collective decisions over many decades (many centuries, for that matter, since incidents of slavery are recorded in the Old Testament and were common in ancient Egypt, Greece, and Rome). What, in your view, were the three or four most important of those choices and collective decisions?

3. In the economy of a given plantation, what were the systems of incentives and organizations that made the enterprise profitable to its owners? Who were the key managers of plantations?

4. Consider the two readings by Thomas Dew and George Fitzhugh. In what ways, if any, do their arguments make sense? What motives would drive them to make such arguments?

5. There is frequently expressed maxim to the effect that: “What is now in the past was once in the future.” Bearing this maxim in mind, consider the following pair of questions: a) How could such a brutal, inhumane system as slavery persist as long as it did? b) In view of the centuries-long history of slavery in both the Eastern and Western Hemispheres, why was the system overthrown in so many places in such a relatively brief period during the nineteenth century?

Class 6: The Indian Removal Act

Materials

The Indian Removal Act and the Trail of Tears

The Indian Removal Act Summary Slides

Assignment

1. Read each of the documents on the issue of Indian removal carefully. If you had to make a choice at the time, which of the positions advocated would be most closely aligned with your own?
2. Is President Andrew Jackson’s view on the issue of Indian removal defensible? Is he acting in the best interests of the Native Americans?

3. Was the Indian Removal Act necessary to promote American capitalist expansion?

**Class 7: Railroads and the Beginnings of Modern Management**

Materials

[Railroads and the Beginnings of Modern Management](#)

Railroads and the Beginnings of Modern Management Summary Slides

Assignment

Document #1: Creating a Management Structure

1. Judging from the McCallum report, what were the greatest and most unprecedented challenges in the management of a large railroad in the 1850s?

2. How did McCallum attempt to solve these problems? Are there any shortcomings to his solution?

3. Try to draw an organization chart to illustrate the reporting relationships McCallum describes.

4. How did McCallum use quantitative data? What are the implications for recruitment and promotion of managers?

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Document #2: Developing Modern Cost Accounting

1. What are the basic contributions of the author of this report, Albert Fink, to the understanding of the nature of costs on a railroad?

2. What are the implications of Fink’s discussion of costs for pricing, profitability, and the evaluation of performance?

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Document #3: Administering a Great Railroad System

1. Try to draw an organization chart to illustrate the reporting relationships which the author of this document, Charles E. Perkins, describes.

2. What is Perkins’s solution to the problem presented by size in railroad management?

3. What are the possible problems with Perkins’s approach?
Class 8: Jay Gould

Materials

Jay Gould and the Coming of Railroad Consolidation

Jay Gould Summary Slides

Assignment

1. What was Gould up to? What was the problem he posed to the more conventional railroad managers and owners?

2. What were the responses of the railroad managers to what Gould was doing? What do these responses tell you about the nature of railroad competition?

3. The case states on page 9 that “the logic of railroad competition was bankruptcy for everyone” (a remark often made by railroad leaders at the time). What precisely was this inexorable logic?

Class 9: J.P. Morgan

Materials

J. P. Morgan

J.P. Morgan Summary slides

Assignment

1. What did J. P. Morgan do during the Panic of 1907?

2. What functions in the American economy did J. P. Morgan perform?

3. What services did Morgan perform for the government? For the railroads? For industrials?

4. What was the source of Morgan’s power?

Class 10: Standard Oil Co.: Combination, Consolidation, and Integration

Materials

Standard Oil Co.: Combination, Consolidation, and Integration (A)
Standard Oil Co.: Combination, Consolidation, and Integration (B)

Assignment

1. How did Rockefeller “conquer” Cleveland? What was the basis of his power? Having conquered Cleveland, how did Rockefeller go about conquering the industry nationwide?

2. Given Standard’s enormous power by the late 1870s, how might it have been attacked successfully?

3. Why did Standard keep changing in the 1880s even though it already had a market share of almost 90%? Was oligopoly inevitable in the oil industry?

4. Rockefeller is one of the most famous business people in history. He has been called a robber baron, a philanthropist, a titan, and a thief. But he is rarely discussed or analyzed as an entrepreneur. How do you evaluate him in this context?

Class 11: Du Pont: The Birth of the Modern Multidivisional Corporation

Materials

Du Pont: The Birth of the Modern Multidivisional Corporation

Assignment

1. What were the problems with the U form at DuPont?

2. What were the major barriers standing in the way of the company’s transition from the U form to the M form?

3. This story has become quite well known not only in business academics but among business people. Observers feel there are generalizable lessons to be learned from it. What lessons do you think they have in mind?

Class 12: Scientific Management

Materials

Mass Production and the Beginnings of Scientific Management
Taylorism Summary Slides

Assignment

1. What is scientific management?

2. What were the strengths and weaknesses of Taylor’s proposals?

3. Why did the Taylor system first appear in metal-working industries as opposed to more labor-intensive industries like apparel and textiles or more capital-intensive industries such as those using refining and distilling processes?

4. What problems did scientific management pose for the worker?

Class 13: The Wright Brothers and their Flying Machines

Materials

The Wright Brothers and Their Flying Machines

Wright Brothers Summary Slides

Assignment

1. What technological bottlenecks needed to be resolved for manned flight to become a realistic possibility?

2. How would you characterize the process of technological discovery leading to the development of the Wright Brothers’ flying machine?

3. Why did the Wright Brothers patent? Was this justifiable? For them? For the industry?

Class 14: Al Capone

Materials

Al Capone

Al Capone Summary Slides

Assignment

1. Was Capone entrepreneurial? Do his activities have an economic explanation?
2. Why did Capone engage in such violent and destructive pursuits?

3. Why was the problem of criminal gangs so prominent at this time? What was the solution?

**Class 15: Maiden in America**

Materials

- [Maiden in America](#)

Maidenform Summary Slides

Assignment

1. What role would you ascribe to Ida Rosenthal’s entrepreneurship versus the enabling environment of New York?

2. What strategic decisions does Rosenthal make – why?

3. Last year one student argued in class that this was the most important case they had read at HBS. Another student argued that the case was among the most limiting. Why do you suppose the material generates such polarizing viewpoints?

**Class 16: Trouble with a Bubble**

Materials

- [Trouble with a Bubble](#)

Trouble with a Bubble Summary Slides

Assignment

1. Why did Irving Fisher believe that stock prices had reached a “permanently high plateau”?

2. Why did the stock market crash in 1929?

3. Why did influential individuals like Fisher, Keynes, and Rockefeller believe that the downturn would only be temporary?

4. Did entrepreneurship and innovation stop during the Great Depression? If not, why not?
Class 17: Neoprene

Materials

Neoprene Summary Slides

Assignment

1. Why innovate now? Why not delay? Why did Du Pont announce the discovery of the science underpinning the product that was to become Neoprene in 1931? Why not wait until the economic crisis was over?

2. What was the process leading from initial discovery through to a viable product? How was Du Pont able to manage this process?

3. Read Exhibit 3 carefully. It is a memo concerning the role of fundamental research at Du Pont. What is Stine saying? Does it make sense?

Class 18: Labor Movement between the Wars

Materials

Labor Movement Between the Wars Summary Slides

Assignment

1. What were the important trends in the history of organized labor during the 1920s? What were the reasons for these trends?

2. What did the UAW want in its strike against General Motors? Why? Were its aims reasonable?

3. What did General Motors want? Why? Were its aims reasonable?

4. Why did General Motors lose the strike?

5. Would the United States be better off today if the UAW and the CIO had met defeat and sunk into oblivion?
Class 19: Crosley

Materials

Crosley Summary Slides

Assignment

1. What made the proximity fuze a breakthrough idea?

2. Why does the government choose Lewis and Powel Crosley to be part of the production assignment?

3. What elements were necessary for the program to build and manufacture the proximity fuze to be successful? In other words what were the major organizational entities and how did they work together?

Class 20: The Whiz Kids

Materials

The Whiz Kids Summary Slides

Assignment

1. Why did Ford need the Whiz Kids?

2. What exactly did the Whiz Kids do to revolutionize management practices? What were the benefits and costs of their statistical control approach?

3. The case (p. 14) states that McNamara left the Ford Motor Company in 1961 to serve as the Secretary of Defense under President Kennedy? Would Ford have been a better company had he stayed?

Class 21: Georges Doriot and the Origins of the American Venture Capital Industry

Materials
Georges Doriot and American Venture Capital

Georges Doriot Summary Slides

Assignment

1. What are the main motivating factors behind Doriot’s decision to promote venture capital investing? Why does the industry become institutionalized after World War II?

2. How is ARD organized? How does its organizational structure (e.g., access to capital, incentive systems) and its performance differ from that of a modern venture capital firm?

3. Why is the venture capital industry a dominantly American invention?

Class 22: Sole-Sourcing the Intel 386

Sole-Sourcing the Intel 386 Summary Slides

Assignment

1. Why did value migrate in the PC industry from IBM, one of the most famous companies in the world, to Intel?

2. How big a gamble was it for Intel to sole source the 386? Was this truly a “bet the company” decision?

3. Is this about Silicon Valley becoming the future of business? If so, what is so special about Silicon Valley?

Class 23: Online Pet Retailing

Materials

Online Pet Supply Retailing

Online Pet Supply Retailing Summary Slides

Assignment

1. Why was online pet retailing a prime industry for investment in 1999?

2. What are the key elements of the business model? Were they rational at the time? Are they rational now?
3. The terms “dot.com” and “irrational exuberance” are often used interchangeably. What was irrational about the dot.com era?

Class 24: Michael Milken

Materials

Michael Milken, by Nancy Koehn and Rowena Olegario, case 1-793-057 (rev. 1996); not available online; please contact Harvard Business Publishing.

Michael Milken Summary Slides

Assignment

1. Why is a junk bond such a useful financial innovation and based on the exhibits in the case, why was so much restructuring happening during the 1980s?

2. What was the source of Milken’s power?

3. Why, precisely, was Milken prosecuted?

4. Was Milken harmful or beneficial to the U.S. economy? With which historical figure in CMC would you compare him?

Class 25: Lehman Brothers

Materials

Lehman Brothers Summary Slides

Assignment

1. In what ways did Lehman contribute to the process of business development in the United States?

2. Why did German-Jewish immigrants play such a crucial role in the development of American capital markets?

3. What functions did Lehman perform? How did these functions change over time?

4. Would it be better for the U.S. economy if Lehman Brothers still existed?
Class 26: Bessemer Trust: Guardians of Capital

Materials

[Link to Bessemer Trust: Guardians of Capital]

Bessemer Trust Summary Slides

Assignment

1. What are the views of Phipps and Carnegie on the process of wealth accumulation? (see especially Exhibits 4 and 6)

2. What organizational structure does Phipps use to manage his wealth? How does this structure change over time?

3. Would you say that over time Phipps’ wealth was deployed for productive use?

Class 27: The American Dream

[Link to The American Dream in History]

Assignment

1. What is the American dream? Has history changed its meaning?

2. Who in the course most exemplifies this?

3. Is the American Dream a reality in 2013?