

🏛️ BUS INST 321 🏛️
Business and Economic Institutions in Historical Perspective
Winter 2021
Virtual class on Zoom
Mon-Wed 11:00AM-12:20PM

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Course Overview

BUS INST 321 is an introduction to business and economic history – the study of the structure and performance of economies through time, and the implications of economic choices in the past on today’s choices and constraints. The course will develop an understanding of the long-run process of economic growth, focusing on the factors that allow economies to grow as well as the challenges that they face to achieve economic success. The goal is to apply economic theory and quantitative reasoning to highlight the important interaction of economic theory, empirical research, and historical experience.

Among the many determinants of growth, we will pay particular attention to institutions, human capital, and the organization of firms and financial markets. Economic ills often accompany the process of growth, and the gains from economic development are not always shared equally. We will study income inequality, the effects of race and gender in the labor market, and the causes and consequences of financial crises.

The American economy is a most remarkable example of economic growth. The United States became the world’s economic leader by 1900, just a century after its founding. We will draw heavily on the economic history of the U.S., while contrasting its institutions and economic troubles with those of the rest of the world.

Prerequisites

Econ 201, Econ 202, Stat 210 or equivalent, Math 212 or 220

Course Web Page: Canvas.

Reading assignments

There is no textbook for this course. Readings are journal articles and book chapters written by economic historians, historians, and economists. All readings for this class will be available electronically.

An understanding of economic history requires a large amount of reading. To follow class discussion, you should do the assigned readings before the corresponding lecture.

Evaluation Method

(1) Exams

There will be two exams. The midterm exam will take place on Canvas during class time, on **Monday, February 8**. The midterm will cover all lecture and reading materials through and including Lecture 8. The final exam will be cumulative and it will take place during Final Exam Week, on **Thursday March 18, from 9:00AM to 11:00AM**.

No make-up exams are allowed. If, for an unforeseeable circumstance, you cannot take the midterm exam, then the final exam will count for 66% of the total grade. If you anticipate that you cannot take the final exam at the scheduled time, you should take the course in another quarter/year.

(2) Empirical assignment

There will be one empirical assignment. The goal of the assignment is to give you practice using historical data and economic reasoning to answer economic questions. You must hand in a report of at most 3 pages in length.

(3) Hypothesis assignment

This assignment will be based on one of the readings of the class. You will be asked to identify the economic hypothesis being tested in the article, and to discuss the data used to confirm or contradict the hypothesis.

Both assignments should be submitted online on the course website, in PDF format. Detailed instructions will be provided at least two weeks before the due date.

(4) Reading checks

Keeping up with the readings is an important part of the course. We will have four reading checks, administered as a quiz on Canvas. The checks will be released 24 hours prior to the class in which we will discuss the corresponding reading. I will not let you know which dates those are. The grading for reading checks will be coarse: 0 for no submission, 6 for a check, and 10 for a check plus.

Grading

1. Hypothesis Assignment: 13% (65 points)
 2. Empirical Assignment: 13% (65 points)
 3. Reading checks (4 total, 10 points each): 8% (40 points)
 4. Midterm exam: 28% (140 points)
 5. Final exam: 38% (190 points)
 6. Class participation will be considered when deciding grade "ties"
- Maximum total points: 500

Grading rule:

Hypothesis Assignment + Empirical Assignment + Reading checks + Max (Midterm Exam + Final Exam, $1.736 \times \text{Final Exam}$)

Academic Integrity

All aspects of this course, including assignments and exams, are to be completed individually, unless otherwise specified. Exams are closed book. Solutions to previous years' assignments and exams should not be used in solving this year's problems.

Suspected violations of academic integrity will be reported to the Dean's Office. For more information on Northwestern's academic integrity policies, see <http://www.weinberg.northwestern.edu/handbook/integrity/index.html>.

This class abides to Northwestern's student handbook. No course materials may be shared at any point, even after the course is over, unless explicitly authorized by Professor Frydman.

Accessibility

Any student requesting accommodations related to a disability or other condition is required to register with AccessibleNU (accessiblenu@northwestern.edu; 847-467-5530) and provide professors with an accommodation notification from AccessibleNU, preferably within the first two weeks of class. All information will remain confidential.

Office Hours

Mondays, 4:00-5:00PM, unless otherwise indicated on Canvas, on Zoom. Please email me in advance for Zoom link. Special appointments, with priority for those of you in faraway time zones, can be requested by email to c-frydman@kellogg.northwestern.edu

Schedule and Reading List

Part I	Long-Run Economic Growth
Lecture 1	Introduction
Jan 11	
Lecture 2	Why isn't the whole world developed?
Jan 13	K.L. Sokoloff and S.L. Engerman, "Institutions, Factor Endowments, and Paths of Development in the New World," <i>Journal of Economic Perspectives</i> (Summer 2000), pp. 217-32.
Jan 18	No class—MLK day
Part II	Main Factors in the Process of Economic Growth
Lecture 3	Human capital: Labor markets and immigration
Jan 20	L.P. Boustan and R. Abramitzky, "Immigration in American Economic History," <i>Journal of Economic Literature</i>
Lecture 4	Human capital: Education
Jan 25	C. Goldin, "The Human Capital Century and American Leadership: Virtues of the Past," <i>Journal of Economic History</i> (June 2001), pp. 263-92.
Lecture 5	Industrialization: Mass production and technological change
Jan 27	C. Goldin and L. Katz, "The Origins of Technology-Skill Complementarity," <i>Quarterly Journal of Economics</i> 113 (June 1998), pp. 693-732
	First assignment due
Lecture 6	Industrialization: The rise of big business
Feb 1	N.R. Lamoreaux, <i>The Great Merger Movement in American Business, 1895-1904</i> , (Cambridge, 1985), pp. 1-13, 46-86
Lecture 7	Midterm Exam Review
Feb 3	
Feb 8	MIDTERM EXAM
Lecture 8	Financing growth: Corporate finance
Feb 10	J.B. De Long, "Did J.P. Morgan's Men Add Value? An Economist's Perspective on Financial Capitalism," in Peter Temin (ed.), <i>Inside the Business Enterprise</i> (Chicago: 1991), pp. 205-236 C. Frydman and E. Hilt, "Investment Banks as Corporate Monitors in the Early 20 th Century United States," <i>American Economic Review</i> , (July 2017), pp. 1938-70).
Lecture 9	Innovation and the patent system
Feb 15	P. Moser, "How do Patent Laws Influence Innovation?" <i>American Economic Review</i> (Sept. 2005), pp. 1214-1236.
Part III	Challenges for the Process of Economic Growth

Lecture 10	Financial instability: Banking panics in history
Feb 17	C.W. Calomiris, "Bank Failures in Theory and History: The Great Depression and Other "Contagious" Events," NBER Working Paper No. 13597, 2007
Lecture 11	Financial instability: The Great Depression
Feb 22	E. C. Romer, "The Nation in Depression," <i>Journal of Economic Perspectives</i> (Spring 1993), pp. 19-39
Lecture 12	The economic impact of pandemics
Feb 24	(tentative) B. Beach, K. Clay and M. H. Saavedra, "The 1918 Influenza Pandemic and its Lessons for COVID-19," NBER Working Paper No. 27673, 2020
Lecture 13	Income inequality
March 1	C. Goldin and L. Katz. <i>The Race Between Education and Technology</i> . (Harvard, 2008), pp. 44-71.
	Second assignment due
Lecture 14	Racial differences in economic outcomes*
March 3	R. Fogel, <i>Without Consent or Contract: The Rise and Fall of American Slavery</i> . (W.W. Norton, 1989), pp. 21-34, 64-80.
Lecture 15	Evolution of the female labor force
Mar 8	C. Goldin, "The Quiet Revolution That Transformed Women's Employment, Education, and Family," <i>American Economic Review</i> , (May 2006), pp. 1-21.
Lecture 16	Final Review
Mar 10	
Thursday, Mar 18	Final Exam, on Canvas, 9:00AM to 11:00AM

*Warning: This lecture will include an economic analysis of the slave system.