



Department of Economics and Finance

**ECON\*2720  
Business History  
Winter 2014**



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Instructor: B. Ferguson  
M,W,F 10:30 – 11:20, MacNaughton 113.

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement, and the drop date for the semester. To better understand these policies, visit:

[https://dev.web.uoguelph.ca/economics\\_d7/important-notice-about-students-responsibilities-and-university-policies](https://dev.web.uoguelph.ca/economics_d7/important-notice-about-students-responsibilities-and-university-policies)

**Course Outline**

There is a widespread tendency to assume that businesses, and in particular the structures of business organization with which we are familiar today, are relatively recent historical developments. It is often said, for example, that the corporation came into existence in the late 19<sup>th</sup> century and that financial instruments such as options and derivatives are inventions of the twentieth century. Both of these statements are wrong. The structures which have been adopted by various types of business evolved as a response to the need to tackle certain types of problems. Traders in Classical Athens faced the same type of problems as do modern businesses, which explains why counterparts of our modern business and banking structures can be found as far back as written records exist. An understanding of why various types of organizational structure – the corporation, for example – have arisen as responses to similar types of problems throughout history goes a long way towards an understanding of the role business plays in modern society.

The purpose of this course is to give students an understanding of the role of business and entrepreneurship in economic activity and growth throughout history. It will look at types of business activities past and present, and consider similarities between business

structures, despite differences in terminology, over time. In particular, it will consider the evolution of the partnership and of the corporation from their earliest appearances to the present day. The objective is to give students a broad perspective on what we mean when we speak of business and of entrepreneurship, and an understanding of how people thought about these concepts in the past.

Texts:

Required texts:

David S. Landes, Joel Mokyr, William J. Baumol: The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times Paperback, Princeton University Press 2012.

Jonathan Barron Baskin, Paul J. Miranti Jr: A History of Corporate Finance, Paperback, Cambridge University Press, 1999

Recommended Text:

Deirdre N. McCloskey: Bourgeois Dignity: Why Economics Can't Explain the Modern World, Paperback, University of Chicago Press 2011

The Landes et al. text covers the entire range of the course, while the other two cover specific periods, and will be applicable to the relevant segments of the course. The Baskin and Miranti text covers corporate finance from the medieval period to the present, and the McCloskey text covers primarily the period around the Industrial Revolution.

Note: While there are textbooks for this course, it will be very much a lecture-based course. Students should plan accordingly. Lecture notes will not be posted on the web.

Evaluation:

There will be one midterm exam, to be written in class time on **Wednesday February 26**, worth 20% of the course mark, and a final exam, **Monday, April 7<sup>th</sup>, 2:30pm** worth 55% of the course mark. The remaining 25 percent of the course mark will be on an essay of **not less than 2000 words**, with topic to be drawn from the list below. **There will be no deferred midterm exam.** Any student missing the midterm, or doing better on the final than on the midterm, will have the midterm weight automatically shifted to the final. **None of the essay weight will be shifted.** The due dates for the essay are set out below.

The essay must deal with the life cycle of **one** of the following firms: Stelco, Canadian Airlines International, Nortel, or the T. Eaton Company. Your sources may include non-academic sources but must include some academic sources (i.e. articles in academic journals). Wikipedia is not an acceptable source. Newspaper articles may be used, but

should be assessed critically, since it is often the case that newspaper analysis of economic matters is wrong.

You must bear in mind that this is an economics essay, so the economic theory which you learned in first year economics courses and in this course should be applied to the essay topic. A purely descriptive essay will receive a lower mark than an essay which contains analysis. An essay of this sort will typically contain four sections - a brief introductory section, a section reviewing the company's history, an analytical section containing a discussion of why the company followed a particular cycle and a brief concluding section. It must include a bibliography, and referencing should follow the Journal of Economic Literature style. **The essay should focus on the firm's business decisions, and not simply on its stock market price.**

The essay submission will be in three stages. The first part, which indicates which firm you will be discussing and detailing what your key sources will be, no more than two pages in total, must be handed in **no later than class time on Friday, January 24**. The second part, containing your outline in no more than two pages, must be handed in **no later than class time on Friday February 14**. No marks will be given for the first two hand-ins, but failure to hand them in will result in a loss of five of the 25 percentage points for the final essay grade for each unit not handed in. Failure to turn in both units will mean that the maximum grade which can be earned on the essay will be 15% of the final course grade. The final version of the essay, which must be no less than 2000 words, must be handed in **no later than class time on Friday March 21**. **Late submissions will be penalized by twenty percent per day.** The final version must be a coherently written whole - it is not sufficient simply to attach the first two sections to the third without editing. Essays will be marked on the basis of clarity of exposition as well as content.

Course Evaluation: You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. Course evaluation will be done in class. The Department of Economics policy regarding the conduct and use of these evaluations will be found at:

<https://www.uoguelph.ca/economics/course-evaluation>

## **Department of Economics and Finance Learning Objectives (skills and knowledge competencies) for this course:**

### **Skills:**

(a) Written Communication: Students will be required to write an essay of no less than 2000 words, in which they will apply the concepts covered in the course to the life cycle of one of four Canadian firms. The essay will be graded for clarity and written competency as well as content. It will have to fit the department's essay writing criteria, for content, referencing and bibliography.

(b) Problem solving: In the essay, students will be expected to be able to apply the concepts learned in this course to explaining the life cycle of a firm.

### **Knowledge:**

(a) Microeconomic modeling: Students will apply the models of introductory microeconomics to understanding the role of business in the economy, the evolution of business structures, and the role of entrepreneurship in economic growth.

(b) Specific Markets: Students will be able to assess what types of business structure – corporations, partnerships etc, - are best suited to the characteristics of specific markets.

(c) Historical context: Students will understand how business structures evolved over time and the role which the evolution of entrepreneurship played in long run economic growth. They will recognize similarities in business structures and practices across historical periods.

(d) Economic policy: Students will judge how policies which affect business behavior affect the performance of the economy.