

BUSENV1706: Market Manipulations: Crises, Bubbles, Robber Barons, and Corporate Saints

CBA UHC Course* (3 cr.); CRN #22116; Fall 2019; Mervis Hall Room B75, 9:30-10:45am

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*CBA students can use this course to satisfy the University distribution requirement in social science.

Course Description: After years of recovery, we recently emerged from one of the most severe economic crises in the nation's history. In two such crises over a hundred years ago, J.P. Morgan, one of the most reviled and caricatured men of his day, twice rescued the U.S. economy from disaster. How did he do it? Who plays the role of J.P. Morgan today? Can we learn anything from the historical parallels?

One of the most formidable challenges to modern management stems from the need to manage opportunism in market systems and the sometimes devastating effects of market failures. Thus, this course seeks to provide a basic and critical understanding of the range of market manipulations, including speculation events such as bubbles, panics, and manias; scams such as Ponzi schemes; "exploits" that use the rules of the organization for corrupt purposes; cost or risk-shifting; rent-controlling behavior that takes advantage of control over essential resources producing market power; expropriations such as theft and embezzlement; enticement events such as bribery; and normative rents or cover that use trust-producing or promise-keeping processes or institutions to conceal fraud. It also examines some of the social, institutional, and governmental attempts to deal with these manipulations.

Thus, what is perhaps unusual in this course is its dual treatment of both the mechanisms by which opportunistic actions are taken in markets, and the attempts to ameliorate impacts that occur as byproducts of such actions. In order to provide this dual treatment, we draw insights from business history, treating it as a rich source of insights and generalizations about business behavior. The course examines and compares a selection of historical contexts, often tracing those contexts via the experience of major historical actors.

The focus for the historical contexts to be examined will be on U.S. business history in the period 1835-1935. Because of its extensive business history content, this course is very different from others in the Pitt CBA program, and students should have a strong interest in reading about and discussing historical events. Please note that this is **not** a course in stock market manipulation/strategies, but in the historical means by which economic markets and the firms in them have been manipulated to achieve private ends, and the dysfunctional events, such as panics, that can characterize such markets.

Course objectives and structure: Thus, major objectives of the course are development of student understanding of the forms and management of several major kinds of market manipulations, of the historical contexts and consequences of such actions, and, importantly, of the insights that such study can provide for modern business behavior.

- After discussing what factors facilitated the Great Recession that began in 2008, to which we will later compare the other major panics in American business history, we begin with an examination of the nature of a market, its limitations or “failures,” and the types of market manipulations commonly observed, such as speculative events like bubbles or scams like Ponzi schemes.
- We then examine the evolution of the business firm and how the institutions of the firm and its environment evolved as mechanisms to manage risks, including a look at what I have termed the "Landa problem," the problem of identifying a trustworthy economic exchange partner.
- Next we examine what Mark Twain called the “Gilded Age,” looking at the construction of the transcontinental railroad and the Credit Mobilier scandal, and then examining and comparing the business lives of Andrew Carnegie, John D. Rockefeller, and George Westinghouse. We will look at the Homestead Steel Strike in detail (associated with Carnegie and Frick) and compare it to the Ludlow Massacre (associated with a company owned by John D. Rockefeller, Jr.).
- We then review and compare a succession of panics in American business history – those associated with 1819, 1837, 1857, 1869, 1873, 1893/5, and 1907.
- Next we shift to the Progressive Era, and the pushback that occurred. We look at Coxey’s Army as an attempt at market manipulation via mass movement (the first such effort in American history), and Coxey’s anticipation of the New Deal. We examine the activities of such muckrakers as Ida Tarbell, Lincoln Steffens, Ray Stannard Baker, Samuel Hopkins Adams, and Upton Sinclair. We look at the growth of government attempts to regulate industry so that it behaves more like the designers think markets should behave. We look at the Triangle Shirtwaist Company Fire of 1911 and examine the interplay of reformers and government, focusing on New York. We look at the career of Frances Perkins. We develop generalizations about the origin of regulation.
- We then compare the Crash of 1929 to the panics previously considered in the course, and to what should be called the Panic of 2008. In particular, we contrast 1907 and 1929 and consider what was different. Our conclusions about those differences will tell us quite a lot about the management of future panics. We will also look at the early days of the New Deal (FDR) and ask why FDR's style had such a huge impact right from the start.
- Finally, we will discuss the science fiction novel, *Time and Again*, which takes us back to the world of the 1880s. Having looked at that world from the perspective of market manipulations, we can see how the world of 1882 so vividly described in the novel reflects the actual business life of the era, and how the countervailing modern market manipulations discussed in the course – for example, media influences in the detection and notification of abuses, as well as government regulation – show themselves as dramatically missing.

Carrie Furnaces/Homestead Tour on Sunday, October 13: The Honors College and the Berg Center are providing support for us to tour Carrie Furnaces and the historic sites in Homestead associated with the Homestead Steel Strike of 1892. There is no cost to students. This tour is in lieu of four classes (see syllabus below). Thus, attendance on the tour *is mandatory*. We will meet in front of Mervis Hall at 8:50am on Sunday, October 13, for the trip by University van. We will return to the same location about 5 hours later. During the trip down from Pitt to the Rivers of Steel National Heritage Area sites, the professor will describe and discuss the Homestead Steel Strike (Lockout). But many critical questions will remain. ***SEE APPENDED SET OF QUESTIONS/TOPICS TO LISTEN FOR/ASK/THINK ABOUT DURING OUR DOCENT-GUIDED TOUR.***

Course Requirements: Students are expected to attend all classes, including the Carrie Furnaces/Homestead tour, do the assigned readings, view the assigned online videos, take the tests, and write the paper. Much of the class material is not duplicated in the readings, so it is important to come to class. It is not possible to make videos other than those online available for viewing outside class. Students are responsible for attending class and taking notes. Although most slides will be made available to students, it is your responsibility to take notes. *The slides are outlines and summaries; they are not notes.*

Email to Prof. Mitnick: All emails to Prof. Mitnick should be sent to **govern@pitt.edu**.

I keep my own calendar, so please contact me directly. My secretary, Elizabeth Sismour, does not provide support to me other than for course logistics, and will not know where I am and she cannot make appointments for me.

Course readings: Four books (including a small paperback on the muckrakers and a novel) and a few articles are assigned as readings, but students will not be expected to read and be tested on all the descriptive content reflected in these materials; guidance will be provided in class on which parts of the readings will be emphasized. Readings in addition to the books will be emailed directly to students' Pitt email addresses, or are readily available on the web as noted. ***Please be sure to check your Pitt email box regularly for course emails!*** *And you must be sure your inbox is empty enough to receive mailings from the course.*

Required Books:

Edward Chancellor. 1999/2000 [paperback printing]. *Devil Take the Hindmost: A History of Financial Speculation*. New York: Plume/Penguin. NO KINDLE OR NOOK OR IBOOKS VERSION. Paperback: Amazon (\$9.99) or Barnes & Noble (\$16.20).

Charles R. Morris. 2005/2006 [paperback edition]. *The Tycoons: How Andrew Carnegie, John D. Rockefeller, Jay Gould, and J.P. Morgan Invented the American Supereconomy*. New York: Times Books/Henry Holt and Company. Kindle or Nook, \$13.99. Paper: Amazon, \$10.19; Barnes & Noble, \$23.40.

Ellen F. Fitzpatrick, ed. 1994. *Muckraking: Three Landmark Articles*. Boston: Bedford/St. Martin's. NOT AVAILABLE NEW (LISTED FROM USED BOOKSELLERS AS NEW BUT REALLY LIKE NEW), BUT EASILY OBTAINED USED; NO KINDLE OR NOOK. Amazon, about \$5.09 including shipping; Barnes & Noble, \$1.99 plus shipping from used book vendors.

Jack Finney. 1970[1995 is the most recent paperback edition, but any edition is fine]. *Time and Again*. New York: Scribner/Touchstone/Simon & Schuster. [A science fiction novel that presents an incredibly well visualized account of everyday life in the 1880s in New York.] Kindle or Nook, \$12.99. Paper: Amazon, \$10.37; Barnes & Noble, \$15.29.

Readings:

A few additional readings will be emailed directly to students.

Optional Wall Street Journal:

- Students interested in reading about current events in business relevant to our course may optionally subscribe to the *Wall Street Journal*. This also provides access to search the *WSJ* archives if you wish

to search for materials on the two cases you will need to use in your paper (see the paper rubric). You can also search the *WSJ* as well as other periodicals via the library's online databases. The URL for sign up for the *Wall Street Journal* for students is:

<https://r.wsj.com/PROFk6et>

The cost is only \$1 for 15 weeks. For digital alone, it then switches to \$4 plus tax per month. If you don't want your subscription to continue after the course ends, be sure to go online and terminate it. The *WSJ* is optional, not required.

This course will not use Courseweb.

Course assessments: The course will include two tests (30% each) and a research paper (40%). The paper reflects the course's status as an Honors College course. Each test covers roughly half of the course. Because of the large amount of descriptive historical as well as social scientific materials covered in the course, the professor will provide study guidance for the exams, and opportunities to engage students with the topics, reviewing and discussing the materials. Students will discover that, although the topics appear diverse, the intellectual structure of the course is carefully planned and will fall in place as the course proceeds. Yes, it will make sense! The rubric for the paper is appended to this syllabus. All paper topics must be approved by Prof. Mitnick.

Class process: The class formats will include both lecture and discussion. Students are expected to have done the readings/viewed the online videos and be ready to discuss them in class. The online videos that are assigned **must** be viewed in advance. The course covers a number of historical events and contexts. Several superb documentary videos describing some of the historical cases covered in the course will be shown; the instructor will also be presenting a number of the cases. Class discussion will center on analysis and comparison of the historical cases, including comparisons with business today.

Copies of most of the slides used by the professor will be emailed directly to students (the size of the images in some slide shows make them difficult to email, so just the text will be sent in some cases). Most slides will be emailed *after* the classes in which they are used. There are several reasons for this. Class discussions are not as productive if major observations or conclusions are known in advance, and the novelty of events and of arguments, particularly in the amazing times we will be looking at can be lost if everything is laid out for students in advance. Thus, students should come to class prepared to take notes. The slides are not adequate as notes, but should be very helpful at structuring our understanding of arguments and events.

Note on videos: Several documentary films from the *American Experience* series are viewed in the course. Sometimes you will view them online; sometimes they will be shown in class. I own legal copies of all of these films. They may not be duplicated and are being shown only for educational purposes.

Disability

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and Disability Resources and Services (DRS), 140 William Pitt Union, (412) 648-7890, drsrecep@pitt.edu, (412) 228-5347 (for P3 ASL users), as early as possible. DRS will verify your disability and determine reasonable accommodations for this course.

Class Topics and Readings: Approximate dates for topics and for readings are in italics. *There is a chance that one or two classes may not meet as scheduled. If so, the professor will email all students in class using their Pitt email addresses per normal class communication. The class topic schedule will then be adjusted appropriately. Remember that the Carrie Furnaces tour is equivalent to four classes, so there will be no shortfall in class time.*

1. Introduction (8/26, 8/28)

- **Course introduction**
- **Historical reasoning and social science reasoning: why this is both a history and a social science course. Cases.**
- **Sir Gregor MacGregor, and the greatest scam of all time. If you remember one thing from this course (and I hope there is more than that!), it may be this incredible story. As you will see, we see similarities to elements in this case again and again as we examine market manipulation and business corruption in American business history.**

2. The Great Recession: Why did it happen? Did it have to happen? Let's look for the levers that pushed it and could have been handled another way. Remember we are looking at what should be called the "Panic of 2008" in order to be able to compare it to the panics earlier, including the manipulations they featured. (9/4, 9/9)

Reading:

(Due 9/4)

The Financial Crisis Inquiry Report (Financial Crisis Inquiry Commission, January 2011). You can get it from either of the following URLs:

Government website (kept frozen as an archive): www.fcic.gov

FCIC site set up as a searchable database: <http://fcic.law.stanford.edu/>

Read the Conclusions, pp. xv-xxviii, which are right at the beginning of the report (*only about 14 pages long*), and then look for supporting evidence by skipping through the text. Your goal is to get an understanding of the factors that caused and/or facilitated the financial crisis, not to master all the incredible detail here. **YOU ARE NOT EXPECTED TO READ THE WHOLE THING, OR EVEN MOST OF IT.** This is a mammoth study - over 600 pages. I suggest you keep it on your computer or put it on an e-reader; you'll need wheels if you want to cart it anywhere. We will be looking at the financial crisis as a point of historical comparison.

Start reading Chancellor, pp. 3-121, due 9/16).

3. Markets and Market Failure (9/11)

- **Claimed advantages and disadvantages of markets.**
- **Can we make any formal claims about markets that argue that markets should be superior ways of organizing enterprises?**
- **Classical forms of market failure.**

Reading:

(Due 9/11)

Barry M. Mitnick, "Market Failure," in Robert W. Kolb, ed., *Encyclopedia of Business Ethics and Society* 2d. Ed. (Sage Publications, 2018). *Emailed to your Pitt email address*. This article reviews the classic forms of market failure, many of which are commonly offered as rationales for why regulation is necessary. The article uses a number of technical terms from the political economy literature, so is pretty abstract in places. Don't be put off by that. I'll go over this in class. To some people, this may seem pretty esoteric stuff (and a bit heavy going in the reading), but it is important in providing some basic theory to our discussion of why regulation as a market repair is instituted. No, all the readings are not going to be like this one.

4. A Partial Typology of Market Manipulations (9/16)

- **Speculation Events:**
 - Manias/Euphorias
 - Bubbles
 - Tulipomania [and revisionist views!] (9/16)
 - South Seas Bubble (9/16)
 - Dot Con Bubble (9/18)
 - Panics
 - Panic of 2008 (Great Recession)
- **Scams**
 - Ponzi Schemes (9/23)
 - Bernie Madoff/Harry Markopolos (9/23)
- **Exploits**
- **Cost Off-Loading; Risk-Shifting**
- **Extraction/Extortion/Rent-Seeking Behavior**
- **Expropriation/theft/embezzlement**
- **Enticement**
 - Bribery as a price
- **Normative Rents**
 - Contract cover/fiduciary cover

Reading:

(Due 9/16)

Barry M. Mitnick, "Market Bubbles," in Robert W. Kolb, ed., *Encyclopedia of Business Ethics and Society* 2d Ed. (Sage Publications, 2018). To be emailed directly to students' Pitt email addresses.

Chancellor, pp. 3-121.

5. The Business Firm (9/25)

We'll take a look at the evolution of business and the invention of the modern business firm. We can see strong evidence that the creation of modern business institutions was linked to the management of market failures.

- **Early business**
 - The Church, the Medicis, and the evolution of societal contract; just vs. natural price.

- **Evolution of the firm**

- Sebastian Cabot and the creation of the joint-stock trading company: What advantage did Cabot and his colleagues provide for 16th century business entrepreneurs?
- Governance as assurance -- solving the problem of opportunism, and the problem of highly-risky enterprises.
- Sketch of developments in the history of the firm that dealt with risk management/assurance.

6. The *Landa Problem*: The problem of identifying a trustworthy economic exchange partner [adapted by the professor from the work of economic anthropologist Janet Landa]. (9/30)

- **Cases:**

- Empathy in Japan
- Lakeside, OH

- **Landa markets** [a market in which the identification of trustworthy economic exchange partners is problematic] **and the case of the Rothschilds.** Why were the Rothschilds successful?

BEFORE CLASS ON 10/2, VIEW PBS FILM ON TRANSCONTINENTAL RAILROAD ONLINE: SEE URL BELOW.

7. The Gilded Age

- **Capitalism, management and slavery: Revisionist history.** Read the *New York Times Magazine* article (see readings below) by historian Matthew Desmond on the relationship between the management of slavery and the rise of modern management methods. We will discuss this critically in class.

- **The Railroads: The transcontinental railroad. Native Americans & Chinese laborers. The Credit Mobilier scandal.** (10/2)
Inventing how to manage scale and fraud; when opportunistic stock manipulation was legal.

IMPORTANT: Before we cover the topic in class, watch the American Experience video on the Transcontinental Railroad (about an hour and 42 minutes). This is a link to a copy on YouTube. It is possible that this copy will disappear, so if you try to find it and get a message it isn't there anymore, please let me know. Link:

<https://www.youtube.com/watch?v=qXhY6NYQAeg>

Reading:

Matthew Desmond, "In order to understand the brutality of American capitalism, you have to start on the plantation," *New York Times Magazine* (August 14, 2019), part of the "1619 Project." (To be emailed directly to students' Pitt email addresses.) Ignore the fragments from other articles in the 1619 Project that *The Times* inserted in the middle of the text of this article. We will critically examine the argument in this article.

EXAM 1: MONDAY, OCTOBER 7. COVERS COURSE MATERIAL THROUGH 10/2 ON THE TRANSCONTINENTAL RAILROAD.

NO CLASS, WEDNESDAY, OCTOBER 9 (YOM KIPPUR HOLIDAY).

CARRIE FURNACES/HOMESTEAD TOUR (ABOUT 5 HOURS) ON SUNDAY, OCTOBER 13 REPLACES CLASS TIME (equal to about 4 classes). *SEE APPENDED SET OF QUESTIONS/TOPICS TO LISTEN FOR/ASK/THINK ABOUT DURING OUR DOCENT-GUIDED TOUR.*

- **Andrew Carnegie -- the rise of Carnegie -- how did he do it?** We analyze Carnegie's tools. Would Carnegie be successful today? Is there a modern-day Carnegie? (10/14, 10/16, 10/23)
Video in class: "Andrew Carnegie: The Richest Man in the World" (PBS American Experience series). This video is not available online – it was posted and forced to be taken down; there are some sites that have only brief parts -- don't assume that if you think you've found it online that the whole video is there. So we will watch it in class.

Homestead Steel Strike [Lockout]. Carnegie, Frick, and Boss Magee. Business-government relations; "legal corruption," and the protection of business. This is a detailed case that emphasizes a perspective on the Homestead Strike that is not usually presented. Municipal corruption: How did Pittsburgh get its zoo? Christopher Magee and his "ring;" the best boss in America. Really. The professor will provide background on and tell the basic story of the strike during the Carrie Furnaces/Homestead tour on October 13, as supplemented by the docent.

NO CLASS, MONDAY, OCTOBER 21.

- **John D. Rockefeller -- the genesis of the trust -- JDR as entrepreneur (10/28)**
-- **How was JDR a modern entrepreneur? Building a trust: carrots and sticks. How to make a monopoly.** Would any of this work today? Why or why not?
IMPORTANT: Watch online before we cover JDR in class: "The Rockefellers" (In the PBS American Experience series, now only available from YouTube; watch up to about 1 hour 30 min. through JDR in old age; you do not need to watch the rest):

<https://www.youtube.com/watch?v=n5xuf9D3sCo>

This video is no longer available in our area to stream from the PBS site, so this is a link to a YouTube posting of the video. If I am able to get access to a better quality copy, I will let you know. Note on YouTube videos: Sometimes you have to try a few times to get these to play; they can get stuck on the ads. And ads may pop in in the middle.

- **Ludlow Massacre.** John D. Rockefeller, Jr. and modern PR; Woody Guthrie song. (10/28)

- **George Westinghouse and the War of Currents (10/30)**

Watch video online before we cover GW in class: “Westinghouse” (first 1 hour 19 min. of it is relevant):

https://www.youtube.com/watch?v=8BUpF__h-IY

-- Nikola Tesla

-- Were they all “robber barons”? Compare Andy, John, and George: Which one of these three industrialists was not like the others? Why??

-- **Edison vs. Westinghouse:** the social construction of entrepreneurship -- selling the unknown/the marketing of belief. Carnegie’s “All is well since all grows better... upward and onward.” Song “I Believe.” Compare to Tesla’s “sales” methods.

Reading:

Due 10/14 but covers 10/14 – 10/30)

Morris, pp. 1-29, 60-160, 187-229

Optional: Chancellor, pp. 122-190 (overlaps with Morris reading).

Begin reading *Time and Again* [Visit the Gilded Age] and Fitzpatrick, pp. 1-121

8. Panics: What do they have in common? (11/4, 11/6) We are building toward answering: What should you look for (and fear) in what might be the Panic *after* 2008?

- **Hamilton and the banks**
- **Panic of 1819**
- **Panic of 1837**
- **Panic of 1857**
- **Black Friday, 1869**
- **Panic of 1873**
- **J.P. Morgan and the Panics of 1893/5 and 1907**
 - **The Federal Reserve Act of 1913**

Reading:

(Due 11/4)

Morris, pp. 230-270.

Continue reading Fitzpatrick, pp. 1-121.

9. The Progressive Era -- *pushback*. The failure of belief in ungoverned progress: “All is well since all grows better ... upward and onward.” Really? **Policy based on evidence; data and measurement; the media as partner; the bully pulpit. Advocacy and “balance.”**

- **The social construction and marketing of belief: Creation and hero myths, and the rise of baseball; the baseball trust. “Casey at the Bat.” Steelworkers and baseball. There are photos of their kids playing baseball in the streets/alleys of Homestead. So, how often did they go to see the Pirates (and their predecessor teams) play? (11/11)**

- **Populists and markets: Coxe's Army (1894); mass movements as market manipulations. Jacob Coxe foresees the New Deal. Ray Stannard Baker covers the march for the *Chicago Record*. L. Frank Baum in Chicago: Who was the "real" *Wizard of Oz?* (11/11)**
- **The Muckrakers: (11/13)**
 - Nellie Bly: participatory, revelatory stunt-based journalism.
 - Jacob Riis, Lincoln Steffens, and Commissioner Roosevelt explore New York at night. Taking photos in the dark. Riis, *How the Other Half Lives*.
 - The crowd at *McClure's Magazine*: Ida Tarbell, Lincoln Steffens, and Ray Stannard Baker. The creation of evidence-based, analytic investigative reporting.
 - Upton Sinclair: *The Jungle* and TR
The Federal Meat Inspection Act of 1906
 - Samuel Hopkins Adams and Henry J. Heinz (yes, yet another Pittsburgh connection!)
The Pure Food and Drug Act of 1906
- **Theodore Roosevelt -- "I Rose Like a Rocket" [Letter, TR to TR, Jr.]**
 - From the state assembly to President. Reform and policymaking as a networked "small world." Using the press as a governmental innovation. Life in the "arena."
- **Municipal reform efforts: The "redemption of New York": (11/18)**
 - Seth Low, Mark Twain, and Joseph Johnson, Jr. as Chief Oak (1901).
 - Municipal corruption and business. Why "redemption"? The cycling of corruption. Tammany Hall as entrepreneur; cycles of social reform as creative destruction.
 - Cycling the mayors of New York. Mayor John Purroy Mitchel.
- **Making markets more like markets: the rise of regulation and professional government.**
 - The Interstate Commerce Commission and the invention of the administrative agency; fixing fixes: Hepburn Act of 1906; Transportation Act of 1920.
 - The Sherman Antitrust Act of 1890.
 - Progressives in government: Franklin K. Lane -- conceptions of the public service: "Makers of the Flag" address.
 - John Muir vs. Gifford Pinchot: Preservation vs. conservation.

- The Triangle Shirtwaist Company Fire (1911)
Reforms: Joseph Johnson, Jr., as Fire Commissioner
- Frances Perkins, Al Smith, and the Factory Investigating Commission of New York. The career of Frances Perkins. TR again: A railroad trip from Albany to New York leads ... after about 35 years ... to social security.

Reading:*(Due 11/13)*

Fitzpatrick, pp. 1-121.

Read/listen to the materials on the following web sites: (the first three concern Frances Perkins; the third focuses on the 1911 Triangle fire)

<http://francesperkinscenter.org/> (see pages explicitly on Perkins)

<http://www.columbia.edu/cgi-bin/cul/resolve?lweb0136>

<http://www.ssa.gov/history/fperkins.html>

<http://www.ilr.cornell.edu/trianglefire/>

10. The Crash of 1929 and the New Deal (11/20; 12/2)

- **Crash of 1929**

- Video in class: Crash of 1929 (American Experience)

- What was different between 1907 and 1929?

- ***Back to the Future: How does the Panic of 2008 compare? What does the failure to stop the Crash of 1929 tell us about what happened in 2008? About the Panic after 2008? (You thought we fixed that, did you?)***

- **The Hundred Days – government as experiment; government as means (12/2)**

- The banks and FDR's first fireside chat (video). What does the first fireside chat tell us about how people responded to FDR and about the Panic *after* 2008?

- Frances Perkins and the NIRA. Perkins visits Homestead, PA. Perkins and the New Deal; Social Security.

- Civilian Conservation Corps (CCC) – Perkins again; direct action by government.

- FDR's re-nomination acceptance speech, June 27, 1936: The defense of government as the means to achieve social goals.

Reading:*(Due 11/20)*

Chancellor, pp. 191-232

THANKSGIVING HOLIDAY WEEK, NOVEMBER 25 AND 27, NO CLASSES.

PAPER IS DUE MONDAY, DECEMBER 2.

11. *Time and Again*. (12/2)

How was business life different in 1882 from today? Consider, for example, how Finney's description of 1882 differs from working conditions, consumer marketing, consumer health and safety, transportation safety, building regulation, communications services, child welfare and education, women's roles, and other aspects of business life today. What are the sources of those differences? Telling time in 1882.

Reading:

(Due 12/2)

Finney, *Time and Again* [whole novel] [Visit the Gilded Age – it's like being there!]

EXAM 2: WEDNESDAY, DECEMBER 4. COVERS COURSE MATERIAL FROM CARNEGIE THROUGH TIME AND AGAIN.

MARKET MANIPULATIONS PAPER GUIDELINES

Students in Market Manipulations must write a 7-10 page research paper on a particular case of market manipulation. Topics must be approved by the professor.

Paper content requirements:

- You must consider the case from the perspective of market manipulations. You may choose cases that deal with either market problems or market problem solutions. That is, your paper can look at cases of any of the kinds of market imperfections/market failures/market manipulations we identified in class, such as speculations, scams, institutional exploits, rents, and so on, as well as any of the cases of government or social institutional efforts to ameliorate or repair market problems.
- Your paper must make explicit use of the material in the course that examines market behavior and performance, including the impacts of market failures.
- This is an Honors College course. As such, we are concerned about developing new and/or interesting and creative ideas or themes that go beyond simple description of historical or market events. Thus, your paper should identify and support (or debunk) a theme or generalization about behaviors in manipulated market settings and/or about attempts to ameliorate such settings. Recall our discussion at the very start of the course about the difference between doing history and doing social science. You should think more in terms of doing social science – what can we generalize from the study of the historical events that are your focus?
- If the case deals with a market problem, describe the market situation surrounding the particular case. For example, if critical information is hidden from market actors, describe how that occurred and why it was important. If the case deals with the origin of a regulation, describe the social or economic problem at which the regulation is directed. Be sure to explain the regulatory context fully, including the history of previous attempts to regulate that area. Then develop a theme or generalize, based on evidence.

- Who were the chief protagonists? Why did they take the positions they did? What is the constellation of interests involved? Who is affected? Who is pushing/opposing for action? Who gained and who lost?
- Be sure to trace the basic chronology -- that is, describe what happened when.
- You must compare the case you are analyzing to at least two similar cases. You are encouraged to use two or more cases we covered in class, though you may use others if they provide more useful comparisons. For example, if your case was a Ponzi scheme, compare it to two other Ponzi schemes. Was your case unusual in any aspects? Did it take a form similar to other cases, or follow steps similar to other cases in developing over time?
- Put your case in a modern context. Could this happen now? If not, why not? If so, describe how similar situations can still occur. If you are describing a case of regulation, ask if such regulation could be adapted today, were it not yet in place. If there were a modern push for this regulation, would that push take a form different from what we saw decades ago?
- The paper must make use of at least some primary sources -- for example, public documents, contemporary newspaper and magazine accounts, writings of the key actors, and so on. The paper need not be based entirely on such sources, but you must use some. Hillman Library has an especially valuable collection concerned with the history of American industrial society; you may wish to ask the librarians to assist you in finding relevant primary sources for your papers.
- You may not cite Wikipedia stories in your paper. Wikipedia articles can be valuable introductions but are of inconsistent quality (really, they are – I’ve found a number of errors) and are not vetted by academic experts in their topics. Some are really well done and helpful; others are incomplete and occasionally incorrect. If you read Wikipedia articles in the process of working on your paper, you must be sure that all information that finds its way into your paper can be gleaned from the sources you actually list.
- All sources must be cited in the text of your paper, as appropriate, and included in the paper’s reference list. The reference list must be of appropriate length, and you must seek out references that are adequate to support your arguments. For example, if you are writing about the origin of a regulation and you use a history of a regulatory agency that appears on the agency’s web site, you should not limit your citations only to that official history, though you are certainly permitted to use it. Your paper should be thoughtful and critical and should not simply re-hash a description appearing in one or two sources.
- You may use any standard reference format, and should be consistent in the use of that format. You may find it easiest to use the (author, date) APA in-text citation format. I will describe this method in class, but you can use any standard format as long as it is used consistently.
- The paper must be original. You may not use or copy text from other sources without quotation and citation; *papers that plagiarize will receive a failing grade*. Your paper should not have long stretches of quoted material, even if you provide adequate citation. Quotes -- even long quotes -- are just fine, but your paper cannot appear to rely on them to the exclusion of your own writing.
- The paper must be at least 7-10 pages in length, double-spaced (one and half spacing is OK). Papers longer than 10 pages can be done only with the instructor’s permission, and the length must be appropriate to the topic.

- All topics must be approved by the instructor. Be sure to clear your topic well in advance and get an early start on your paper. You are encouraged to consult with the professor regarding your paper and its progress.
- **The paper is due 5pm on Monday, December 2. You may email your paper to the professor.**

SOME QUESTIONS/TOPICS TO LISTEN FOR/ASK/THINK ABOUT DURING OUR DOCENT-GUIDED TOUR OF CARRIE FURNACES/HOMESTEAD

- What was it like to live and work in Homestead? How many days a week did they work; how many hours a day did they work; how many holidays did they get? What were their working and living conditions like?
- Could you have worked at Carrie Furnaces? Why or why not? Describe your own physical condition after working for a few years (and maybe just one day) at Carrie Furnaces.
- Did you notice the bathrooms at Carrie Furnace? (trick question)
- If life in the mills was so difficult, why didn't they just leave and work elsewhere?
- How was management control exerted in Carnegie's/Frick's mills?
- It is a misunderstanding to think that the enormous wealth of Carnegie and the freedom to exert executive power granted Frick provide a sufficient understanding of why they were able to do what they did. Consider the contexts and facilitators, including market features and the competitive and technological environment. Carnegie was very unusual – not just your average robber baron. How so? Frick was indeed a superb manager (maybe not one you'd like to have.....) – why?
- The political setting was actually very critical for all three of our industrialists. Why was Christopher Magee so important in Pittsburgh and so important to all three of the industrialists?
- Sheriff McCleary shows up in Homestead with a handful of deputies and is given a tour of the mill. In a dramatic scene, the union leadership throw their badges on the table in the Bost Building and their paperwork in the fire (fire??? It is July. Why is a fire already going??) McCleary says he will come back later with many deputies to assert control, but his deputy returns with only a few men. Then leaves again. Is this a charade? Is he really serious? Why do all this? What must Frick be thinking?
- Does Frick really think that 300 Pinkertons, most of whom are untrained, raw recruits, can take and defend the enormous mill from 3500 armed workers and thousands more workers who will rush there to defend it? If not, what does he think will happen? Are we giving Frick too much credit?
- When the Pinkertons fire at point blank range, why aren't more workers killed instantly? This by itself suggests the complexity of worker-management relations in 1892. Can you explain it?

- After the battle, the injured Pinkertons are holed up in the Homestead opera house, protected by the union leadership. Why are they protected? A train appears in the middle of the night and whisks them away. Who sent it? – No, there is no night service. Who was on the train when it arrived? How does that explain its arrival? So, who really controls Homestead as well as Allegheny County?

If You Want to Read More

If you want to do more reading on topics in the course, here are some additional sources (there are many others as well).

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- Bruner, Robert F. & Carr, Sean D. 2007. *The Panic of 1907: Lessons Learned from the Market's Perfect Storm*. Hoboken, NJ: Wiley.
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- Fitch, John A. 1989. *The Steel Workers*. Pittsburgh, PA: University of Pittsburgh Press. Digital edition.
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- Hareven, Tamara K. & Langenbach, Randolph. 1978. *Amoskeag: Life and Work in an American Factory-City*. Hanover, NH: University Press of New England.
- Johnson, Simon & Kwak, James. 2010. *13 Bankers: The Wall Street Takeover and the Next Financial Meltdown*. New York: Pantheon Books.
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- Nelson, Scott Reynolds. 2012. *A Nation of Deadbeats: An Uncommon History of America's Financial Disasters*. New York: Vintage Books/Random House.
- O'Neill, John J. 1944 (reprint 2006). *Prodigal Genius: The Life of Nikola Tesla*. New York: Cosimo.
- Reinhart, Carmen M. & Rogoff, Kenneth S. 2009. *This Time is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.
- Schwantes, Carlos A. 1985. *Coxey's Army: An American Odyssey*. Lincoln, NE: University of Nebraska Press.
- Seifer, Marc J. 1998. *Wizard: The Life and Times of Nikola Tesla -- Biography of a Genius*. New York: Citadel Press/Kensington Publishing Corp.
- Sinclair, David. 2003. *The Land that Never Was: Sir Gregor MacGregor and the Most Audacious Fraud in History*. Cambridge, MA: Da Capo Press/Perseus Books.
- Sorkin, Andrew Ross. 2009, 2010. *Too Big to Fail*. New York: Penguin.
- Standiford, Les. 2005. *Meet You in Hell: Andrew Carnegie, Henry Clay Frick, and the Bitter Partnership That Transformed America*. New York: Three Rivers Press.
- Steffens, Lincoln. 1992/1904. *The Shame of the Cities*. New York: Hill and Wang div. Farrar, Straus and Giroux/McClure, Phillips, & Co.
- Strouse, Jean. 1999. *Morgan: American Financier*. New York: Random House.
- Vogel, Harold L. 2010. *Financial Market Bubbles and Crashes*. Cambridge: Cambridge University Press.
- Von Drehle, David. 2003, 2004. *Triangle: The Fire that Changed America*. New York: Atlantic Monthly Press/Grove Press.
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