

Political Economy of Corporations (Econ 790)


Student Course Page

The “Political Economy of Corporations” course will answer several key questions: how economic innovation occurs (i.e., what are the social conditions for innovation) and how production processes change over time; to whom do the benefits of innovation go; and how decision-making is structured, in terms of how power is exercised and what the policies and jurisprudence are that govern corporate action. The course will analyze different theoretical answers to these questions, from the neoliberal theory of shareholder primacy, stakeholder corporations, and the theory of the innovative enterprise. The course will consider these questions from a historical and empirical perspective, enabling students to participate in current research and policy debates regarding the role of corporations in the economy today.

Find My Teaching Policies Here:

Teaching - Lenore Palladino, Ph.D.

Teaching economics and public policy is a real joy. My goal as a teacher is grounded in my belief that no matter what students do in the future, they will always live in the economy, and as participants in a democracy, shape economic policy.

 <https://www.lenorepalladino.com/teaching>

General Student Resources

Table of Contents

[Learning Goals, Methods & Assessment](#)

[Learning Goals](#)

[Learning Methods](#)

[Learning Assessment](#)

[Syllabus](#)

—> our five topics, or modules, for our course

—> The Topic and Learning Objectives for each week; Includes which day of the week we are holding our live class meeting

—> Database of required and additional readings for each week; Learning Objective for each reading

Learning Goals, Methods & Assessment

Learning Goals

- Develop the theory of innovative enterprises as an approach to studying the political economy of corporations in the 20th and 21st century
- Analyze and critique the mainstream neoclassical shareholder primacy/ nexus of contracts theory of the firm.
- Study current empirical work on corporate finance and corporate governance.
- Cross-cutting goal: Analyze approaches to the “social control of business.”



We will also work on improving our research workflows.

Learning Methods

- The course is organized in five modules:
- For each module, everyone will review the required material; engage in both synchronous and asynchronous discussions of the learning goals for each module; and write a review memo that analyzes the arguments made in the literature vis a vis the learning goal for each module.
- For the final module, everyone will work with corporate and financial data to study a discrete research question of PE of corporations.
- All of the review memos should help build towards further dissertation research.

Learning Assessment

This course is a participation-based seminar. Assessment will be based on:

Learning Assessment Element	Percentage	Notes
Participation: Consistent participation in class and in online discussions	30%	
Lead 2 Classes: Facilitate Discussion & Prepare Weekly Memo to Share	20%	Lead 2 Classes & Weekly Memo Instructions
5 Module Memos (10% each)	50%	Module Memo Template

Syllabus

Modules

Aa Module	📅 Weeks	☰ Learning Objectives
Untitled		
1. Introduction to PE of Corporations	@February 6, 2023 → February 26, 2023	Key questions of PE of corporations; theory of innovative enterprises;
2. Late 19th/ Early- Mid 20th Century PE of Corporations	@February 27, 2023 → March 12, 2023	Theories of corporations and approaches to "social control of business" in the 19th century through post-war era
3. The Ascent of Neoliberal Shareholder Primacy	@March 20, 2023 → April 9, 2023	Theory and evidence of shareholder primacy in U.S. corporations & financial markets
4. Current Debates on PE of Corporations	@April 10, 2023 → April 30, 2023	Shareholder v. "Stakeholder" capitalism; Overview of U.S. policy landscape; "ESG" and universal ownership in financial markets
5. Corporate Financial Research Methods, Tools, & Databases	@May 1, 2023 → May 14, 2023	Overview of key datasets, methods, and challenges in using empirical approaches to study political economy of corporations & finance, including Compustat; national accounts & financial accounts; other datasets in WRDS

Weeks

# Week Number	Aa Weekly Topic	📅 Date	➤ PE of Corporations (Econ 790) Modules	≡ Learning Objectives
1	<u>The Political Economy of Corporations Framework</u>	@February 6, 2023 → February 10, 2023	<u>1. Introduction to PE of Corporations</u>	1. Introduce the Political Economy of Corporations framework; 2. Introduction to Theory of Innovative Enterprises; 3. Gain top-level understanding of neoliberal theory of shareholder primacy; its flaws theoretically and empirically.
2	<u>Institutional Economics Theory of the Innovative Business Enterprise</u>	@February 13, 2023 → February 17, 2023	<u>1. Introduction to PE of Corporations</u>	1. Analyze the key elements of the theory of innovative enterprises and the social conditions that the theory proposes. 2. Discuss relationship of Lazonick/ Penrose view to current discussions of market power of large corporations; in other words, is it beneficial to have large corporations because they are the most innovative? 3. Gain understanding of institutional / business history theories of the firm
3	<u>Heterodox Theories of the Firm: Pricing, Competition, and Investment</u>	@February 20, 2023 → February 24, 2023	<u>1. Introduction to PE of Corporations</u>	1. Overview of range of heterodox economic theories of the firm
4	<u>"Social Control of Business" Debates in the Progressive Era & Movements for Industrial Democracy</u>	@February 27, 2023 → March 3, 2023	<u>2. Late 19th/ Early- Mid 20th Century PE of Corporations</u>	1. Develop topline understanding of rise of industrial corporations and industrial democracy; 2. Review debates over corporate law and antitrust in the Progressive Era; 3. Analyze arguments for social control of business in institutional economics
5	<u>The Managerial Era and Transition to Financialization</u>	@March 6, 2023 → March 10, 2023	<u>2. Late 19th/ Early- Mid 20th Century PE of Corporations</u>	1. Analyze understandings of how corporations succeed in the managerial era
6	<u>Spring Break</u>	@March 13, 2023 → March 17, 2023		N/A
7	<u>Theories of corporate shareholder primacy</u>	@March 20, 2023 → March 24, 2023	<u>3. The Ascent of Neoliberal Shareholder Primacy</u>	1. Define key arguments and assumptions in the neoclassical theory of shareholder primacy
8	<u>Flaws in the theory of shareholder primacy</u>	@March 27, 2023 → March 31, 2023	<u>3. The Ascent of Neoliberal Shareholder Primacy</u>	1. Define key flaws in the theory of shareholder primacy
9	<u>Dimensions of harm of shareholder primacy</u>	@April 3, 2023 → April 7, 2023	<u>3. The Ascent of Neoliberal Shareholder Primacy</u>	1. Identify the harms of shareholder primacy in real-world outcomes 2. Shareholder primacy & the racial wealth gap
10	<u>"Stakeholderism"; Industrial Policy & Shareholder Primacy</u>	@April 10, 2023 → April 14, 2023	<u>4. Current Debates on PE of Corporations</u>	1. Understand arguments for "stakeholderism" in legal scholarship 2. Analyze corporate-driven move to "stakeholderism"; 3. Discuss interplay between current industrial policy and shareholder primacy

# Week Number	Aa Weekly Topic	📅 Date	🔗 PE of Corporations (Econ 790) Modules	≡ Learning Objectives
11	<u>Corporate Boards & Corporate Purpose</u>	@April 17, 2023 → April 21, 2023	<u>4. Current Debates on PE of Corporations</u>	1. Discuss policy reforms for shifting power within corporate governance 2. Understand corporate governance regimes in other advanced market economies 3. Understand debates around "corporate purpose"
12	<u>Finance & Corporate Governance</u>	@April 24, 2023 → April 28, 2023	<u>4. Current Debates on PE of Corporations</u>	1. Understand current debates over asset managers and the rise of index funds, institutional shareholders, and their respective roles in corporate governance
13	<u>Datasets & Empirical Research I</u>	@May 1, 2023 → May 5, 2023	<u>5. Corporate Financial Research Methods, Tools, & Databases</u>	1. Overview of corporate finance and financial data available for research 2. Review leading examples of empirical research on corporate finance
14	<u>Empirical Research II</u>	@May 8, 2023 → May 12, 2023	<u>5. Corporate Financial Research Methods, Tools, & Databases</u>	1. Overview of corporate finance and financial data available for research 2. Review leading examples of empirical research on corporate finance

Literature

Aa Author Last Name	≡ Title	🔍 Week Number	≡ Type	≡ Learning Objectives	🔗 UMass Library Link
<u>Lazonick and O'Sullivan</u>	Maximizing Shareholder Value: a new ideology for corporate governance	1	Journal Article	Canonical article making the case that maximizing shareholder value is flawed in theory and practice; obtain understanding of the key arguments that are developed, as well as the juxtaposition of retain-and-reinvest versus downsize-and-distribute.	https://eds.p.ebscohost.com/eds/detail/detail?vid=2&sid=b000fb87773c2%40redis&bdata=JkF1dGhUeXBIPWlwlHN

Aa Author Last Name	Title	Q Week Number	Type	Learning Objectives	UMass Library Link
<u>Friedman</u>	The Social Responsibility of Business is to Increase its Profits	1	Media & Short Articles	What is the core of Friedman's argument; and what are the assumptions about the context within which corporations operate?	https://eds.p.ebscohost.com/eds/detail/detail?vid=2&sid=b000fb87773c2%40redis&bdata=JkF1dGhUeXBIPWlwLHN
<u>Lazonick</u>	Is the most unproductive firm the foundation of the most efficient economy? Penrosian learning confronts the neoclassical fallacy	2	Journal Article	What is the Penroseian argument for why and how firms grew in mid-century America? What is the contrast that Lazonick is drawing between his extension of the Chandler/ Penrose analysis, as contained in the Theory of the Innovative Enterprise, and the dominant neoclassical view of the firm?	https://search.ebscohost.com/login.aspx?direct=true&Auth
<u>Palladino</u>	Political Economy of Corporations (Chap 2 &3)	1	Book Chapter	Overview of theories of the corporation and historical development over the last century. Sets a framework for what we'll be looking at for much of the rest of the class.	
<u>Jo</u>	The Institutional Theory of the Business Enterprise	2	Journal Article		
<u>Coase</u>	The Nature of the Firm	2	Journal Article		

Aa Author Last Name	Title	Q Week Number	Type	Learning Objectives	UMass Library Link
<u>Chandler</u>	What is a firm? A historical perspective	2	Journal Article	Chandler describes the “empirical regularities” of the development of industrial business enterprises, based on his books, and then asks if any of the theories of the firm that were currently the focus of economic work usefully applied to business history.	
<u>Moudud</u>	The hidden history of competition and its implications	3	Journal Article		https://ebookcentral.proquest.com/lib/uma/detail.action?dc
<u>Eichner</u>	The Microfoundations of the Corporate Economy	3	Journal Article		https://www.jstor.org/stable/2487190
<u>Crotty</u>	Owner-Manager Conflict and Financial Theories of Investment Instability: A Critical Assessment of Keynes, Tobin, and Minsky	3	Journal Article		https://search.ebscohost.com/login.aspx?direct=true&AuthLive&scope=site&custid=umaah
<u>Hilt</u>	Early American Corporations & The State	4	Book Chapter		

Aa Author Last Name	Title	Q Week Number	Type	Learning Objectives	UMass Library Link
<u>Novak</u>	Institutional Economics and the Progressive Movement for Social Control of American Business	4	Journal Article	what was the theoretical perspective of the institutional economists on the corporation and the production process? - what were their goals in terms of the social control of business?	https://search.ebscohost.com/login.aspx?direct=true&AuthLive&scope=site&custid=umaah
<u>Hutchison</u>	Progressive Era Conceptions of the Corporation and the Failure of the Federal Chartering Movement	4	Journal Article		
<u>Panhans</u>	Theory in closer contact with industrial life: American institutional economists on competition theory and policy	5	Journal Article		https://search.ebscohost.com/login.aspx?direct=true&AuthLive&scope=site&custid=umaah
<u>Gardiner Means, Warren Samuels, & Fred Lee</u>	A Monetary Theory of Employment (Intro by Fred Lee)	5			
<u>Manne</u>	Mergers and the Market for Corporate Control	7	Journal Article		https://search.ebscohost.com/login.aspx?direct=true&AuthLive&scope=site&custid=umaah
<u>Jensen and Meckling</u>	Theory of the Firm	7	Journal Article		
<u>Vogel</u>	Neoliberal Ideology and the Myth of the Self-Made Entrepreneur	8	Journal Article		https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3696

Aa Author Last Name	Title	Q Week Number	Type	Learning Objectives	UMass Library Link
Admati	A Skeptical View of Financialized Corporate Governance	8	Journal Article	This is also about the current debate— it's a critique of financialized corporate governance within the neoclassical framework	
Palladino	The Contribution of Shareholder Primacy to the Racial Wealth Gap	9	Journal Article		
Stockhammer	Shareholder value orientation and the investment-profit puzzle	9			
Crotty	The Neoliberal Paradox	9	Journal Article		
Acemoglu	Eclipse of Rent-Sharing: The Effects of Managers' Business Education on Wages and the Labor Share in the US and Denmark	9	Journal Article		
Palladino	Industrial Policy & Shareholder Primacy	10			
Strine	Restoration: The Role Stakeholder Governance Must Play	10	Journal Article		
Ireland	Limited liability, shareholder rights and the problem of corporate irresponsibility	11	Journal Article		
Palladino	Economic Democracy at Work	11	Journal Article		
Warren	Accountable Capitalism Act Bill Text	11	Legislation		
Braun	Exit, Control, and Politics	12	Journal Article		

Aa Author Last Name	Title	Q Week Number	Type	Learning Objectives	UMass Library Link
<u>Fichtner and Heemskerk</u>	The New Permanent Universal Owners	12			
<u>Davis, Leila</u>	Financialization and the non-financial corporation: An investigation of firm-level investment behavior in the United States	13	Journal Article		https://search.ebscohost.com/login.aspx?direct=true&Auth
<u>Lazonick, W., and Tulum, Ö.</u>	Sick with “Shareholder Value”: US Pharma’s Financialized Business Model During the Pandemic	14			https://theairmet.org/melseerg/2022/12/Lazonick-Tulum_Si_Pandemic_rev20221212.pdf
<u>Bratton</u>	The New Economic Theory of the Firm	7	Journal Article		
<u>Samuels</u>	Gardiner Means’ Institutional and post-keynesian economics	5			https://search.ebscohost.com/login.aspx?direct=true&Auth
<u>Hart</u>	An Economist’s Perspective on the Theory of the Firm	7	Journal Article		

Module Memo Template

Weekly Memo Template