

ECO352H1: Firms and the Economy

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Course site for all sections: <https://q.utoronto.ca/courses/377593>

Communication (office hours, e-mail): see Section 6

1. Course Description

How would our understanding of the economy change if we paid closer attention to the evolution and function of firms in society? This course explores the role of firms in the macroeconomy, beginning with an introduction to firm size distributions, their evolution, and the dynamics of firm entry and exit. We investigate the internal workings of firms, examining the importance of managerial span of control and managerial talent in firm evolution. We will then focus on how firms drive economic development across time and across countries, examining important economic concepts of creative destruction, business dynamism, and resource misallocation.

The course further delves into the interconnected relationships between firms and financial markets, uncovering how financing constraints influence firm growth and survival. We also analyze how firms contribute to and are shaped by business cycles, and consider the effects on firm behavior of the growing importance of intangible capital, such as intellectual property and software. In the final weeks, we examine how firms influence inequality within and across economies. We discuss how firm decisions affect wage structures, labor market outcomes, and economic disparities, linking the analysis to broader societal impacts.

Through theoretical models, empirical evidence, and real-world case studies, students will gain a nuanced understanding of the role of firms in macroeconomics. By the end of the course, students will be equipped to critically analyze trends in firm behavior and its implications for economic policy, growth, and labor market outcomes.

2. Prerequisites, Accessibility and Help

- The [undergraduate administrator](#) may be able to help you with missing [prerequisites](#). Note that I [cannot waive prerequisites](#).
- For accessibility concerns immediately visit <http://www.studentlife.utoronto.ca/as> and register with [Accommodated Testing Services \(ATS\)](#). We can only provide accommodations outside of the accommodations within the design of the course if they are suggested by ATS.
- If you have trouble, seek help right away from us, the [Academic Success Centre](#) and/or your [College Registrar](#). The Registrar can provide you with comprehensive support and guidance and, where appropriate, contact your professor and advocate on your behalf while protecting your privacy. This requires *working closely* with your College Registrar, and not merely having them restate your requests to your professors. Remember, **for any issues that extend beyond this course, or last more than a week, contact your College Registrar immediately.**

3. Required Readings

- Articles, book chapters and handouts will be posted on Quercus for some of the weeks
- You are expected to come to class having done the required readings

4. Course Delivery Details

4.1 Lectures

Each week we will cover between 1.5 to 2.5 hours of lecture content, depending on the material and whether we have a tutorial.

Section L0101: Wednesday, 10:10 am – 12:00 or 1:00 pm, SS 1070.

Section L0201: Wednesday, 2:10 pm – 4:00 or 5:00 pm, SS 2108.

I will post required readings on Thursdays and lecture slides on Mondays for the Wednesday lectures.

4.2 Tutorials

During some of the weeks, there will be a tutorial during the last hour of the calendar time. In these tutorials, the TA will go over practice problems or review the materials for the upcoming tests.

5. Marking Scheme and Important Dates

The table presents an overview of important deadlines for the course

Date	Term Work	Weight
Week of Feb 24 th , 2025	Term Test	24%
April 3rd, 2025	Term Paper Due	25%
Winter Final Exam period	Final Exam, details TBD	35%
During Lectures (See Section 5.4)	Participation: 8 mini assessments	16%

Quercus will give precise details for each assessment, including penalties for lateness, when applicable. Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

The marking scheme above presumes that the term test and the final exam are in-person as planned. The planned format of assessments and activities may change and the **weights may need to change** in unexpected ways if the course ends up significantly disrupted by events outside of our control. As always, you are expected to keep a sharp eye on our **Quercus** site for announcements and information. Be prepared for disruptions and changes.

5.1 Term Test (24%)

There will be one Term Test held in-person for the course:

- Week of February 24th
- Less than 2 hours long

Exact coverage and details of how the test will be administered will be posted on Quercus in advance of the test. **No collaboration** is allowed.

5.2 Final Exam (35%)

The final exam will be held in-person during the Winter Final Exam Period. Further details will be posted on Quercus at the end of the term. The final exam **is** cumulative and will cover all of the material presented in the course. **No collaboration** is allowed.

5.3 Term paper (25% total)

The take-home writing assignment will be an essay of at most 1,500 words applying tools and results from this course to an assigned question. The assignment details will be available 2 weeks before the due date. You will need to submit the assignment before the deadline. **No collaboration** is allowed. For the generative AI policy, see section 7.1. No extensions are granted for any reason (illness, computer problems etc.). There is a 20% (of assignment total grade) penalty per 24 hours for late submissions. No submissions will be accepted 5 calendar days after the deadline.

5.4 Participation (16%)

- In all 10 lecture meetings after the first class, there will be in-class assignments.
- These assignments will consist of short writing prompts or little modelling examples based on assigned readings or the material that we cover in the lecture.
- They will be randomly assigned during class: they may be at the beginning, middle or end of the class.
- The assessments will be graded coarsely, focusing mostly on honest participation:
 - if you make an honest attempt to answer each question, **you will get 85%.**
 - If your response shows good understanding of the material, **you will get 100%.**
 - You will receive no credit if you: a) miss or fail to submit the assessment during class, or b) clearly do not try to solve the questions/respond to the prompt.
- Each In-class Assignment will be worth **2%** of your total grade. The **two** lowest scores will be automatically dropped in the computation of your final grade.

The purpose of these assignments is twofold: firstly, they encourage you to attend lectures and do the readings. Secondly, they give you an additional opportunity to actively engage with the material. Do not stress about getting everything correct, as simply trying will earn you most of the marks.

5.5 Remark Requests

Regrade requests must be submitted online through an MS Form which will be posted to Quercus. You have one week following the date the form is posted to submit a regrade request. After one week we will not honor any regrade requests. When submitting a regrade request please be as specific as possible regarding why you believe your test deserves more points. Be aware that submitting a regrade request may result in a new score that is higher, lower, or the same as your original score. No remarks will be possible for the participation elements of the course.

5.6 Extensions and Make-Ups

Any missed work earns a mark of zero. This section explains special accommodations for: illness, injury, personal/family problems, joining our course late, religious reasons, extracurricular conflicts, technology problems, internet or power outages, quarantine issues, travel issues, accessibility concerns, and/or other challenging situations. **Remember, for significant challenges which last more than a week work with your College Registrar immediately.**

To accommodate students who cannot attend two classes, we drop the two worst scores for the in-class participation assessments. Save these accommodations for illness or other emergencies entirely outside of your control: do not miss the coursework because you are busy or for any potentially avoidable reasons. Any additional accommodations for the participation elements of the course beyond the ones requested by the ATS or outlined above are extremely limited and completely at our discretion. There will be no extensions or make-up for the Take-Home Writing Assignment as it can be completed over a number of days.

5.6.1 Missed Midterm

In order to be considered for a potential make-up test you must alert me as soon as you know you will be unable to attend class. This must be no later than one week after the test. I will only consider granting a make-up test for students who contact me later than one week if their situation would reasonably prevent them from contacting me earlier.

To inform me of your inability to attend an in-person test and to request a make-up, please complete these steps:

1. Obtain one of the following pieces of documentation to verify your absence:
 - i. Absence declaration form via ACORN
 - When submitting via ACORN, please send the verification email to my email: o.denislamova@utoronto.ca
 - Note that you may only use one absence declaration per term across all your courses. If you have already used this declaration, please provide another piece of documentation.
 - ii. Verification of Illness or Injury Form (VOI)
 - iii. College Registrar's letter
 - iv. Letter of Academic Accommodation from Accessibility Services
2. Complete the Missed Test or Assessment form on Quercus and attach your documentation from the previous step. The date at which this is submitted will be used when considering your request. When explaining your absence, you may provide as much detail as you feel comfortable, but **you are not required to reveal anything personal**. If your absence involves a deeply private issue, please seek guidance from your College Registrar first about how to communicate with me.
3. One week after submitting the Missed Test form you will receive an email from me that will either: approve your request for a make-up; ask for more information; or deny your request. If you feel I have not treated your request fairly you may contact your College Registrar to mediate.

The above steps must be followed to receive consideration. Additionally, you are welcome to contact me via email or in office hours to further discuss your absence, but this is not required. You should also review the Arts and Sciences specific policy details here: <https://www.artsci.utoronto.ca/current/academics/student-absences>

There will be one make-up midterm scheduled for the end of the Winter semester. This exam will cover material from the entire course and will replace your grade on the Midterm.

6. Communication

Office Hours:

- After each lecture, I will stay in the lecture room to answer questions. Use this time as office hours for content-related or course organization questions.
- If you prefer a private conversation or have detailed questions, email me to schedule a 15-minute appointment.

Email Communication:

- For personal issues or urgent course-related problems (e.g., broken links, missed assessments), email me at o.denislamova@utoronto.ca.
- Content-related questions will **not** be answered via email. Please ask these during lectures, tutorials, or office hours.
- I will aim to respond to shorter emails within 2 business days and longer emails within 5 business days.

Quercus Announcements:

- All important course updates and announcements will be posted on Quercus. Check regularly for the latest information.

7. Academic Integrity

Academic Integrity is central to a UofT education. We take academic integrity very seriously, and so should you. Please do not put yourself, your classmates, the TAs and me in a terrible situation by engaging in academic integrity violations. Even if you are suffering stress, under extreme pressure, far behind, facing failure, and/or lacking self-confidence, cheating is not worth it. Dealing with infractions is incredibly stressful for everybody involved and can take many, many months to resolve, which may affect your ability to take courses next year. In order to avoid an academic integrity infraction, follows these guidelines:

- **Do your own work.** We design course work to develop and assess skills useful in upper-level courses and the job market. You lose a valuable opportunity to develop these skills and lower the value of the UofT brand when you cheat.
- **Properly acknowledge other people's ideas.** You'd want the same for your ideas.
- **Ask you if are unsure.** Unless explicitly told otherwise, assume that you CANNOT discuss ANY graded work with anyone—this includes classmates, friends, family, tutors (paid or unpaid), neighbors, literally anyone. Checking websites for answers, posting your work for others to use, collaborating, soliciting/receiving answers, stating false or misleading information related to assessments, etc., are examples of actions that violate Academic Integrity unless explicitly allowed. Unintentional mistakes or confusion are not a defense. Ask us if you're unsure.
- You will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).
- Please read this link and sublinks: <https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity>

7.1 Use of Generative AI for Assignments (ChatGPT)

You are not allowed to use any outside aids, including generative AI, during the in-person assignments (midterms, final exam, or writing assignment). You are welcome to use generative AI as a learning aid when studying or completing the group problem sets. Please be aware of the limitations of this technology in general, such as hallucinations and inaccurate information, and for our course specifically. Regrade requests which use answers from ChatGPT, for example, will not be successful.

For the Take-Home Writing Assignment, **selective** use of Generative AI tools is **permitted**. In particular, generative AI tools will be permitted for:

1. Creating an outline for a written assignment to provide inspiration and suggest structure;
2. Gathering information from across sources and assimilating it for understanding.

Any content produced by an artificial intelligence tool must be cited appropriately. Many organizations that publish standard citation formats are now providing information on citing generative AI (e.g., MLA: <https://style.mla.org/citing-generative-ai/>).

The submitted version of the Take-Home Writing Assignment must be original work produced by the individual student. Representing as one's own an idea, or expression of an idea, that was AI-generated may be considered an academic offense.

Consequently, students who choose to use generative AI tools as they work through the Take-Home Writing Assignment, must provide relevant documentation in a set of appendices. Specifically, Appendix I should include:

1. What AI tool(s) were used;
2. How they were used in working towards the assignment;
3. How any results from the AI were incorporated into the submitted work;

Students must also include Appendix II. In it, they should submit any content produced by an AI tool, and the prompt(s) used to generate this content.

8. Topics Outline

Below is the tentative topics outline for the course. The actual pace and content may differ.

Weeks	Topic
Week 1	Syllabus + What we know about firms around the world
Week 2	Firm Size Distribution & Gibrat's Law
Week 3 & 4	Theory of firm entry & exit
Week 4 & 5	The inner workings of the firm: Span of Control Managerial Talent Firm Layers
Week 6 & 7	Firms & Development: Creative Destruction Misallocation Business Dynamism
Week 8	Firms & Financial Markets
Week 9	Firms & Business Cycles
Week 10	Firms & Intangible Capital
Week 11 & 12	Firms & Inequality