

Syllabus Course ###
(Speakers to be Announced; Some Material and Sessions will Change)
Business Strategies for Solving Social Problems
Professor Bruce Kogut
March/April 2019

Business will be a primary contributor to solving the big social problems of the 21st century. While business strategy analyzes competition and markets, firms also pursue *non-market* strategies to influence politicians, and politicians seek to benefit from firms. Governments pursue not only political goals, but often *pro-market* strategies. This course takes a realistic variation on these themes to ask: when do firms, markets, and politics work to resolve the big social challenges of this century. These challenges are the consequences of inequality and wages, corruption, climate change, immigration, and inclusion.

The course is organized around these major challenges, ranging from income equality to immigration to the quality of work life. Our approach is to set out the argument why firms should be engaged in contributing to social and political solutions and more importantly to identifying what can be done.

We do not assume that everyone will agree on a given solution, and it is this diversity in opinion that the course seeks to animate for a positive learning experience. Our intention, as always, is to articulate collectively what the arguments are, so you will be effective leaders of the enterprises and organizations that you will lead in the future. The course provides you with the analytical tools and the aspirations to be leaders in advancing a positive agenda to respond to the challenges of our times.

Conventionally, a course of this content falls in the category of non-market strategies. These are the strategies and actions that firms pursue to achieve goals by influencing states and non-statal organizations (e.g. stakeholders, self-regulating organizations). These actions may include lobbying, partnering with government and non-government organizations, and corruption.

Since big problems will require governments to set up laws, regulations, courts and more extensive policies, this course takes a broad approach. We consider jointly strategies from the perspective of both governments and firms and also sometimes of these non-statal actors. Governments too follow pro-market strategies in many ways, such as the design of tax policies, and less subtle ways, such as through the incentives they establish for investment and for labor. Sometimes this engagement extends into equity investments.

There are reasons why such actions may be taken, and we will discuss them through the analysis of cases, historical and living. You will be asked to read the cases plus pertinent articles.

This course relies primarily upon the core class in Strategy, as well as on the core classes of Leadership, microeconomics, and the global economic environment. You will find that the course is also designed to leverage other electives, such as the business of climate change and modern political economy.

There are many varieties of how to organize capitalism. We discuss many systems (e.g. the US, Sweden, Germany, France, and China). Obviously, there are others that we will want to discuss. The course will

present a way to think about countries as systems and to tease some mild claims of causality about their institutions and economic (or social) outcomes.

Why this Course Now?

The great struggles of the mid-twentieth century through-out the world rewrote the national bargains of an earlier generation to create what Germans called the “Social Market Economy”. The post-world wars ushered in experiments that entailed a growth in the State and its intervention in the economy, and a consensus over the value of global cooperation. For many countries, it was a time of growing incomes.

This era collapsed in the 1970s; markets and liberalism returned in favor. Concomitantly, if not causally, over the last few decades, increases in inequality, underfunding of public goods such as education and health, and growth in political instability hearken to the earlier struggles over distribution of wealth and power. Wealthy and poor countries are in political crisis.

Globalization and technical changes pose specific challenges in this environment. This crisis is exacerbated by innovations that replace some kinds of workers by algorithms and disrupt conventional industries, e.g. taxis, hotels, communications. Policymakers are rightfully confused by the levers at their disposal to slow technological advances, should they choose to use them. Deglobalization is an easier lever to pull and the evidence is everywhere that there is popular support for strengthening national borders to hinder immigration and to question commitments to free trade.

This cycle of liberalism to reaction, reaction to liberalism, and now again liberalism to reaction is not accidental. It presents business with a fundamental question:

what should business do?

Assignments:

This course relies heavily on cases and reading material. You are required to come prepared to discuss the case. Missing class must be excused 24 hours ahead of meeting. Sickness and family emergencies are the only accepted excuses.

The course has two written requirements:

First, you will be asked to join groups of 4 by the second class. If you cannot find a group, we will assign you. There are 12 class sessions, and the groups should sign up to debate an issue for on the classes 3 to 12. You are required to submit a ppt and/or short description of your position and why you took it. More details will be provided later.

Two, you are required to write a paper less than 10 pages that analyzes how a firm responded successfully or unsuccessfully to contributing to the improvement of a major social dilemma. Data analysis is especially welcome. You may write the paper alone, or in groups no larger than three.

Grading

Grading is based on your class participation for the 12 sessions (25%), the presentation (25%), and the final paper (50%). Papers will be randomly selected to be proofed for plagiarism. All citations to data, all quotations, and all substantial reliance on a reference source must be noted. Please take this requirement seriously.

Office hours will be by sign up on-line.

Class Sessions: Cases and Readings

I. The Coase Theorem and Negative Externalities

1. Inequality in a High-Tech Ecosystem

Case: San Francisco, 2015 #tech #inequality

Assignment Questions:

- 1) What makes for a successful regional innovative economy?
- 2) Are tech firms responsible for pricing people out of their homes?
- 3) Should the problem be solved at the ballot box?
- 4) Do the high-tech firms have an obligation to be part of the solution?

Reading: Note: The Polanyi Cycle of Libertarian and Regulated Capitalism, Bruce Kogut

2. Immigration and the Economy

Possible Speaker: TBD

Case: Angela Merkel and 1.2 Million Refugees (new case)

Guest Speaker: TBA

Assignment Questions:

- 1) What should governments and businesses do to absorb immigrants and refugees?
- 2) Who bears the pain?
- 3) What should be the position of business?

Reading:

McKinsey Report on Immigration..

II. Labor, National Bargains, and Stagnant Wages

1. Property Rights, Law, and Institutions

Case: The National Bargain: The Strikes over Taylorism in Three Countries (new case)

Assignment Questions:

- 1) Compare the experiences of workers in three countries in adapting to Taylorism.
- 2) Which one managed to create the greatest value?
- 3) Which one created the fairest outcome?

Note: Labor Markets in Modern Day Germany and US, Bruce Kogut

2. Monopsony Power in Labor Markets

Case: The Treaty of Detroit and Working for Amazon mTurc (new case)

Assignment Questions:

- 1) Is the Treaty of Detroit possible today?
- 2) Would you want to join a union? Why not?

III. Finance and Politics

1. Saving Capitalists from themselves

Speaker: The Great Financial Crisis and its Aftermath

Assignment Questions:

- 1) Do you think financial markets should self-regulate?
- 2) Is there anyone responsible for the financial crisis and were their actions criminal?
- 3) Should the government have broken up the big banks?

2. Climate Change

Case: Climate Change and NRJ (new case)

Assignment Questions:

- 1) Can a public energy utility migrate to carbon? Would investors prevent this?
- 2) What would they need to do to succeed?

IV. The State

1. The Entrepreneurial State

Case: The State and the Ventures of Elon Musk (new case)

Assignment Questions:

- 1) Are the subsidies to Elon Musk's business "corporate welfare"? Why not?
- 2) Do you think the State should take an equity position to have a return to its investment?
- 3) Is the State entrepreneurial to subsidize Musk?

Reading:

Mariana Mazzucatto, 2015, chapters 1 and 7, *The Entrepreneurial State*, New York, Perseus Books.

2. Fintech and Cryptocurrencies

Case: Central banking and Bitcoin

Assignment Questions:

- 1) Why should money be left to the State?
- 2) What is the advantage of P2P communities to form decentralized autonomous organizations?

Guest speaker: TBA

Reading:

Note: Property Rights, the Problem of the Commons, and DAOs, Bruce Kogut

Satoshi Nakamoto, "Bitcoin: A Peer-to-Peer Electronic Cash System".

V. What Can be Done?

1. The Fractured Societies: Conservative and Liberal

Case: Autonomous Vehicles (new case)

Guest Speakers: TBA

- 1) Can a conservative government be concerned with social justice?
- 2) Or should it place this responsibility back into the hands of employers?

Reading:

Kogut, B., 2017. Book Review Essay: Economic Sociology as the New Dismal Science: Gerald F. Davis: The Vanishing American Corporation: Navigating the Hazards of a New Economy, and Yuval Levin: The Fractured Republic: Renewing America's Social Contract in the Age of Individualism.

2. Meaningful Work for a Gender-Neutral Society

Case: Sweden's Pappaledig policies in comparative perspective

Assignment Questions:

- 1) Is gender equality possible without providing equality in the home?
- 2) Should the welfare state then also require gender diversity in the private corporation, e.g. establishing quotas on boards?

Note: Qualitative Comparative Analysis, Bruce Kogut

Reading:

Fleckenstein, T., & Lee, S. C. (2014). The politics of postindustrial social policy: family policy reforms in Britain, Germany, South Korea, and Sweden. *Comparative Political Studies*, 47(4), 601-630.

VI: Alternative Visions: The State as Capitalist and the Social Economy

1. Measuring the Social Economy

Case: Shanghai: GDP Apostasy

Assignment Questions:

- 1) Isn't measuring the social economy happiness a leftist trick to encourage social investments?
- 2) What would you want to add or take away if you should take a conservative perspective?
- 3) If we all work, why not charge fees for services and let people decide their value to them?
- 4) Is a happy state a State Capitalist?

Reading:

[Dani Rodrik, 2007, The inescapable trilemma of the world economy](#)

2. The Social Economy : Detroit

Case : Detroit Bikes: Becoming the Biggest Bicycle Manufacturer in North America

Assignment Questions:

- 1) Why should Detroit Bikes succeed where more powerful auto firms failed?
- 2) Why should Detroit recover as a prosperous city?
- 3) Do you see its future as the Danish economy or as Shanghai?

Readings:

[The Ford Foundation's Quest to Fix the World | The New Yorker](#)

Sugrue, T.J., 2014, "Conclusions", *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit*-Updated Edition, Princeton University Press.

[Joe Stiglitz on Detroit bankruptcy and bankers](#)

Bruce Kogut, relevant bio.

Overseas experience:

10 years in France, 2 in Sweden (citizen), 2 Germany. Visiting faculty/researcher in Tsinghua, Beijing; CEIBS, Shanghai, Singapore, Stockholm School of Economics, Humboldt Berlin, Wissenschaftszentrum Berlin; Polytechnique, Paris; Visiting Professor, EHESS, co-taught modern business and economic history with Patrick Fridenson, in French. World Bank commissions, 1994, 2000; Sasakawa Fund grant; Director, Training of ANC; AID for Black Empowerment and Entrepreneurship, Africa; Organizer of Conference on Governance, United Nations ECE, Geneva; External member to committee to review International Labor Organizations educational programs, Turin, Italy; founder INSEAD Social Enterprise Program; editor, European Management Review; Member, Future of Work Project, Wissenschaftskolleg and EHESS, Berlin and Paris, currently.

Overseas Boards/Advisory Boards:

Institute of Advanced Study, Berlin; Skema Business School, France; IFMR (now university), Chennai; Skolkovo Business School, Russia; AIM (ESRC), UK; Scientific Director, EIASM, Bruxelles; 3i Infotech (private company), Mumbai; European Bank for Reconstruction and Development, London; United Unlimited, India; non-profit school, Paris.

Notable awards (overseas):

IREX State Department PhD award for research in Berlin, GDR; Fulbright Award, France; Crawford Lecture on Competitiveness, Lund; Karl Deutsch Professorship, WZB, Berlin; Organizer, WEF program on governance (with P. Cornelius, WEF chief Economist); Core research member, Complexity, EU Project, Oxford; Honorary Doctorate, Stockholm School of Economics; Fellow, Institute of Advanced Study, Berlin.

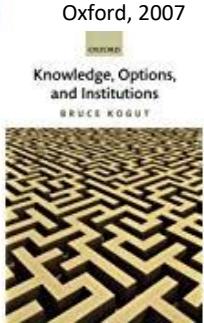
Past books



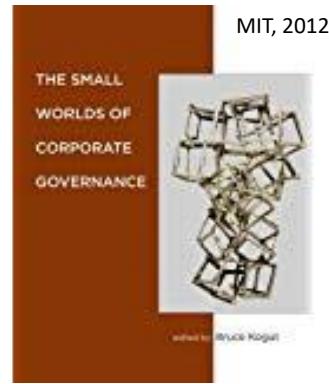
Oxford: INSEAD,
WEF, Wharton,
2003



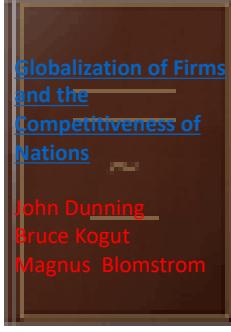
MIT, 2001



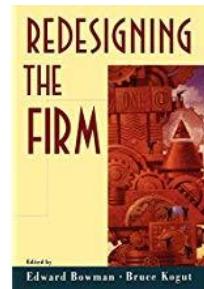
Oxford, 2007



Oxford, 1993



Lund: 1990



Oxford,
1996

Seven relevant articles/chapters

My work is in social science and business history. Here are some examples.

"Executive Pay, Fat Cats, and Best Athletes," with Jerry Kim and Jae-Suk Yang, *American Sociological Review*, April 2015

Kogut, B., 2010. Qualitative comparative analysis of social science data. In *The Oxford handbook of comparative institutional analysis*.

Kogut, B. and Ragin, C., 2006. Exploring complexity when diversity is limited: Institutional complementarity in theories of rule of law and national systems revisited. *European Management Review*, 3(1), pp.44-59.

The Small World of Germany and the Durability of National Ownership Networks," (with Gordon Walker), *American Sociological Review*, 2001, 66: 317-35.

"Did Socialism Fail To Innovate? A Natural Experiment of the Two Zeiss Companies," (with Udo Zander), *American Sociological Review*, 2000, 65: 169-190.

"The International Monetary Fund and the Global Spread of Privatization", (with Nancy Brune and Geoffrey Garrett), *International Monetary Fund Staff Papers*, 2004, 51: 195-219.

- "Evolution of the Large Firm in France in Comparative Perspective," *Entreprises et Histoire*, 1998, 19:113-151.