

Government 30

Policy, Politics and the Knowledge Economy

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Introduction

This course explores the shifting relationship between the private sector and government policy in the networked world. As advanced technologies reshape corporate architectures, and transform the terms of competition for both globals and start-ups, the actions of government must change correspondingly. Have they?

Arguably, the social compact of a democratic society has not changed: businesses create value through competition and governments set the rules to engender social fairness, personal liberty and mobility based on merit. But much of what governments expect to do was learned from a previous time: an industrial-manufacturing system in enclosed national economies. Today, multiple information revolutions have changed things. Public policy has not always caught up.

So we shall analyze the impact of technological changes as well as the knowledge economy in microcosm—especially evolving network effects. We shall ask the urgent questions: What public services, infrastructure and standards are necessary to democracy and, correspondingly or not, facilitate growth? What are the implications of peer networks for the delivery of services—from healthcare to education—that citizens have come to expect in a democracy?

What, moreover, are the limits of established notions of intellectual property—patents, for example? What new metrics might be used to account for corporate performance and valuable assets? Do macroeconomic indicators tell us what we need to know—does the distinction between services and manufacturing still hold? Is there really a trade-off between growth and green? We shall, in short, push into new modes of thinking, unburdened by outdated ideological lines.

Course Requirements

The class will run as a series of discussions based on assigned reading. Attendance is compulsory.

Examinations are meant to stimulate team-based learning. Students will form study groups and divide up the labor involved in preparing thoughtful answers to prearranged questions. However, students will be judged individually. The mid-term will be worth 30%, the paper 30%, and the final 40%. The grade may be reduced by as much as 10% for uncertain class participation or unexcused absences.

Class Schedule <i>Session and Date</i>	
Monday, September 16 What Was Industrial Capitalism?	Watch in class, Jacob Bronowski, <i>The Ascent of Man</i> , BBC, 1974, " The Drive For Power "* (discussion on Wednesday); also, read for Wednesday, selections from Adam Smith's <i>The Wealth of Nations</i> (*NB: Blue hyperlinks work)
Wednesday, September 18	Introductory discussion: <i>What do we mean by a 'market economy' in the industrial era? What implications for public policy?</i>
Friday, September 20 What Is Changing? <i>What is global business infrastructure?</i>	Read chapter two in Thomas Friedman's book, <i>The World Is Flat</i> , Farrar, Straus, and Giroux, 2005, pp. 48-172; watch online: lecture at MIT on "The Ten Forces That Flattened The World," http://mitworld.mit.edu/video/266
Monday, September 23 <i>How do network effects change business strategy? What is a business ecosystem?</i>	Read, William C. Taylor and Polly LaBarre, <i>Mavericks at Work</i> , Chapters 4 and 5, HarperCollins, 2006; Read, "Siemens ShareNet: Building a Knowledge Network," HBS Case 9-603-036
Wednesday, September 25	Read, Case study: Avishai, "Marshall's Garage," prepared for this class; read also, Case Study: Avishai and Wittig, "Škoda Auto In The Volkswagen Group," also prepared for this class.
Friday, September 27 Delivery of Public Good <i>The Roads and Bridges of a Knowledge Economy</i>	Read, Avishai, "The Connected Car," <i>Inc. Magazine</i> , April 2009; Debra Spar, "A Note On Rules," HBS Case 9-799-013;
Wednesday, October 2 <i>The Revolution in Education</i>	Read, Avishai, "What Is Business's Social Compact," HBR, Jan-Feb, 1994; Avishai, "What Does Business Owe Society"?, <i>Strategy and Business</i> , Q4, 1997; " Would German-Style Apprenticeships Work in the U.S.? " Bloomberg BusinessWeek, July 19, 2012; " School to Work ," Federal Reserve Bank of New York
Thursday, October 3 <i>X Bloc (no class on Monday)</i>	John Donahue, "The Francis W. Parker Charter Essential School, KSG Case CR-16-00-1598.0, 2000; Read, Malcolm Gladwell, "Most Likely To Succeed," <i>New Yorker</i> , December 15, 2008
Friday, October 4	Visit www.khanacademy.org , www.timetoknow.com , and ocw.mit.edu/courses/ ; also, listen to Salman Khan's lecture, http://www.khanacademy.org/talks-and-interviews/v/salman-khan-speaks-at-gel--good-experience-live--conference
Monday, October 7 <i>The Reform of Healthcare</i>	Read, "Proposal of the Physicians Working Group for Single Payer National Health Insurance," <i>JAMA</i> , Aug. 13, 2003; Reinhardt, "The Swiss Health System," <i>JAMA</i> , 2004;
Wednesday, October 9	Read, Porter, Teisberg, "Redefining Competition in Healthcare," <i>HBR</i> , June 2004; Atul Gawande, "The Cost Conundrum," New Yorker, June 1, 2009

Friday, October 11	Paul Starr, <i>Remedy and Reaction</i> , Yale UP, 2011, pp. 161-238; Avishai, "A Spoonful of Sugar," a review of Starr's book, <i>The Nation</i> , Feb. 13, 2012
Monday, October 14 Mid-term Exam	<i>Four questions will be distributed in advance; one will be drawn from a hat and all will answer that question; one hour, closed book, 1 pg. of handwritten notes only.</i>
Wednesday, October 16 'Facilitation of Commerce in General' <i>Can Intellectual Property be protected?</i>	Steven Weber, <i>The Success of Open Source</i> , Harvard University Press, 2004, Chapter 8, "The Code That Changed The World?," pp. 224-272; Clay Shirky, " Why SOPA is a bad idea ," TED January 2012
Friday, October 18	Listen, "When Patents Attack," This American Life (radio), July 22, 2011; Read, Jaffe, Lerner, <i>Innovation and Its Discontents</i> , Introduction and Chapter One, Princeton UP, 2004, pp. 1-55; Read, Chesbrough, et al, "The Patent and License Exchange: Enabling a Global IP Marketplace," HBS Case 9-601-019, July 17, 2000
Monday, October 21 <i>The Crisis of Accounting</i>	Baruch Lev, "New Math for a New Economy," Fast Company, January 2000 ; Daniel M. McGavock, "Intangible assets: A ticking time bomb - Chief Concern," The Chief Executive, Nov. 2002 ; Avishai, "Quality Time: Managing and Measuring Intellectual Capital," <i>Cognomics White Paper</i> , 2001
Wednesday, October 23	Robert Kaplan and David Norton, "Measuring the Strategic Readiness of Intangible Assets," <i>Harvard Business Review</i> , February, 2004; Martinez-Jerez, "Keene's Acquisition of Metro Information Services," (A), HBS Case, 9-103-042, Sept. 28, 2004
Friday, October 25 <i>The Value of Macroeconomic Metrics</i>	Prepare for class, critique of Federal Reserve of New York, "Indices"
Monday, October 28 In class competition	<i>A macroeconomic metric for the knowledge economy predicting growth or decline over 3 years</i>
Wednesday, October 30 <i>The Management of Risk</i>	Nasim Nicolas Taleb, <i>The Black Swan</i> , 2007, Chapter 3, 4 and 14; Talk for "Library on Economics and Liberty" on "fragility" ; Taleb, NPR, Planet Money, August 16, 2010
Friday, November 1	Read, Michael Lewis, " Wall Street on the Tundra ," <i>Vanity Fair</i> , April 2009; listen, "Michael Lewis' Big Short and Our Appetite for Apocalypse," Radio Open Source, April 12, 2010 ;
Monday, November 4 Continue screening with evening pizza, discussion, and guest 7:00 pm	Screening of Charles Ferguson's film, "Inside Job" (discussion afterward)
Wednesday, November 6 <i>Stimulating Growth</i>	Malcolm Gladwell, " In the Air ," <i>New Yorker</i> , May 12, 2008; Friedman and Mandelbaum, <i>That Used To Be Us</i> , Charlie Rose interview , Sept. 7, 2011; Capelli, " Why Good People Can't Get Jobs ," <i>Wharton Digital Press</i> , 2012.

Friday, November 8	Boudreaux, Folsom, "Microsoft and Standard Oil: Radical Lessons for Anti-Trust Reform," <i>Antitrust Bulletin</i> , Fall 1999; Flynn, "Standard Oil and Microsoft: Intriguing Parallels or Limping Analogies," <i>Antitrust Bulletin</i> , Winter 2001
Monday, November 11 <i>Anti-Trust and Monopoly</i>	Thomas Friedman, excerpts from <i>Hot, Flat, and Crowded</i> , 2008, Part Three, pp. 217-297; Avishai, "Drill Deeper," <i>Inc.</i> , March 2012
Wednesday, November 13 <i>The Environment</i>	Porter, "Green and Competitive: Ending the Stalemate," <i>HBR</i> , Sept.-Oct., 1995; Vietor, et al, "Xerox: Design for the Environment," May 4, 1995, HBS Case 9-794-022
Friday, November 15 <i>Globalization: For, Against</i>	Paul Krugman, "Can Europe Be Saved?," <i>New York Times Magazine</i> , Jan. 12, 2011; Avishai, " The Euro and the Wealth of Nations ," bernardavishai.com , Dec. 11, 2011
Monday, November 18	<i>Papers Review</i>
Tuesday, November 19 X Bloc	<i>Exam Review</i>
Final Exam	<i>Five questions will be handed out two weeks in advance; two will be drawn at random and all students will answer those two; two hours, no books. Allowed: two pages of handwritten notes (no photocopies)</i>

Prof. Bernard Avishai's bio. Visiting Professor at Dartmouth during the spring quarter. He is Adjunct Professor of Business at the Hebrew University, and taught at MIT in the 1980s and Duke in the 2000s. He is a past technology and strategy editor of *Harvard Business Review* and, among other management positions, the former International Director of Intellectual Capital at KPMG. He has written about global business, public policy, and Middle East affairs, for *The New Yorker*, *Harper's*, *The New York Times Magazine*, *The Nation*, and many other publications. A Guggenheim fellow, he is the author of four books, including the just published *Promiscuous* (Yale), and blogs at [bernardavishai.com](#) and *The Daily Beast*.