

## **PSC 244K/W**

### **Politics and Markets: Innovation and the Global Business Environment**

**Version 1: September 1, 2010**

#### **Course Description**

Innovation is a driving force behind the massive increases in wealth that occurred in the 20th century, and the globalization of business is causing changes in the world's economy that we are only beginning to understand. In this course, we will spend several weeks studying how entrepreneurship and innovation are affected by government rules and, in turn, how businesses try to shape those regulations. We will then spend several weeks studying business strategy in the global business environment, focusing on the role of regulations imposed by foreign governments and international organizations. Class meetings will be a mix of lecture and discussion, use real-world cases, and feature guest speakers. By the end of the course, you will have a stronger understanding of how businesses shape and are shaped by government policies. There are no prerequisites for this course, though some exposure to political science or economics is useful.

#### **Readings**

There is one required textbook for the course: *Business and Its Environment*, 6<sup>th</sup> ed., by David P. Baron. Two copies of the textbook are on 2-hour reserve in Rush Rhees. Additional readings listed at the end of the syllabus are available on E-reserves in Blackboard; readings added later in the semester will also be placed on E-reserves.

#### **Course Requirements**

- **Exams**  
There will be three closed-book exams in the course on October 12, November 9, and December 9. There is no final exam. *Make-up exams are not given—exceptions are rarely granted.*
- **Case Analyses and Reading Questions**  
You will be asked to analyze a case or answer reading questions for certain classes. Questions not in the Baron book will be made available in the Assignments section of Blackboard. In order to receive credit, answers should reflect careful thought. Assignments are due in class on the day the case or topic is discussed. *Late assignments will not be accepted.*
- **244W Students Only: Course Paper**  
Following department guidelines for a W course, students enrolled in PSC 244W will be required to turn in a 12-15 page course paper (about 3,500 words) on a topic of their choice. The paper will be due on December 2. Detailed instructions are available on Blackboard. *No late papers will be accepted.*

#### **Grading**

- *Exams* each count toward 30 percent of your grade.
- *Case Analyses and Reading Questions* collectively count toward 10 percent of your grade. You are required to turn in 5 analyses to receive full credit for this portion of your grade. If you turn in fewer than 5 assignments, your grade will be reduced proportionally. For instance, if you turn in only 4 assignments, you will receive 8 out of 10 points for this portion of your grade.
- *244W Students*: Exams each count toward 22% of your grade; case analyses/reading questions collectively count toward 10% of your grade; the course paper counts toward 24% of your grade.

## Teaching Assistant

There is one teaching assistant for the course, who is available to answer your questions about course material. The TA is also authorized to address your questions regarding exam and homework grading.

Lukas Pfaff  
Harkness Hall 109A  
lukas.pfaff@gmail.com  
Office Hours: Wed. 10-12

## Guest Speakers

The course will feature several guest speakers. Visits from guest speakers are to be treated like any other class (i.e., take notes, do the reading, etc.). Material covered by guest speakers, and associated readings, will appear on exams. The speakers program is being supported this semester with a grant from the Charles G. Koch Charitable Foundation.

## Blackboard

I use Blackboard to send out announcements and post readings and other course materials. You can access Blackboard at <http://my.rochester.edu>.

## Course Meetings

**Note 1:** Exam dates are set in stone. I am in the process of finalizing dates for guest speakers, so the timing of some topics may change. I will give you plenty of advance notice for any changes I make to the syllabus, and confirm what material will be covered on each exam.

**Note 2:** Chapters and page numbers refer to the Baron text unless otherwise noted. Readings will be discussed on the days listed; for instance, the reading for patents will be covered on September 21.

**1. Thursday, September 2: No Class (Political Science Conference in Washington, DC)**

**2. Tuesday, September 7: Introduction**

**3. Thursday, September 9: Foundations of an Innovative Society**

**Reading:** Baumol, Litan, and Schramm (Blackboard); Schramm and Litan (Blackboard)

**4. Tuesday, September 14: Types of Innovation**

**Reading:** Baumol (Blackboard)

**5. Thursday, September 16: Innovation and Integrated Strategy**

**Reading:** Ch. 1 (pp. 1-5); Ch. 2 (pp. 33-53); Ch. 6 (pp. 159-160)

**HW Due:** Reading questions (Blackboard)

**6. Tuesday, September 21: Intellectual Property—Patents**

**Reading:** Chapter 12 (pp. 374-383); Intellectual Property Law (Blackboard)

**Case:** Patent Law Reform—Puknys and Chen (Blackboard); Peterson (Blackboard)

**7. Thursday, September 23: Intellectual Property—Copyrights and Trademarks**

**Reading:** Intellectual Property Law (Blackboard); Downes (Blackboard)

- 8. Tuesday, September 28: Intellectual Property in an International Context**  
**Reading:** Chapter 18 (pp. 582-583); World Trade Organization (Blackboard); Reichman (Blackboard)  
**Case:** Compulsory Licensing, Thailand, and Abbott Laboratories (pp. 602-606)  
**HW Due:** Reading questions [not the questions at the end of the case] (Blackboard)
- 9. Thursday, September 30: Internet Privacy**  
**Reading:** Chapter 13 (pp. 417-423)  
**Case:** Facebook (Blackboard)
- 10. Tuesday, October 5: Guest Speaker Slot (subject to change)**  
**Guest Speaker:**  
**Background:**  
**Reading:**  
**HW Due:**
- 11. Thursday, October 7: Venture Capital**  
**Reading:** Malkiel (Blackboard)  
**Case:** VC and Financial Services Regulatory Reform—Gage (Blackboard); McGuire(Blackboard)
- 12. Tuesday, October 12: Exam 1 (covers classes 2-10)**
- 13. Thursday, October 14: Case—The Market and Nonmarket Environment of Google**  
**Reading:** Ch. 2 (pp. 38-39); Ch. 8 (pp. 239-240); The Nonmarket Environment of Google (pp. 25-32); Auletta (Blackboard); Vascellaro (Blackboard)  
**HW Due:** Reading questions (Blackboard)
- 14. Tuesday, October 19: Guest Speaker Slot (subject to change)**  
**Guest Speaker:**  
**Background:**  
**Reading:**
- 15. Thursday, October 21: Integrated Strategy in a Global Context**  
**Reading:** Ghemawat (Blackboard)  
**HW Due:** Reading questions (Blackboard)
- 16. Tuesday, October 26: International Trade**  
**Reading:** Chapter 18 (pp. 574-596)
- 17. Thursday, October 28: Japan**  
**Reading:** Chapter 14 (pp. 451-473)  
**Case:** Toys ‘R’ Us and Globalization (pp. 614-618)
- 18. Tuesday, November 2: The European Union**  
**Reading:** Chapter 15 (pp. 481-490, 496-505)  
**Case:** Aldeasa and the EU Duty Free Abolition (A) (pp. 511-516); (B) Case (Blackboard)

**19. Thursday, November 4: China**

**Reading:** Chapter 16 (pp. 517, 523-539)

**Case:** Google in China (pp. 545-548)

**HW Due:** Reading questions [not the questions at the end of the case] (Blackboard)

**20. Tuesday, November 9: Exam 2 (covers classes 11, 13-18)**

**21. Thursday, November 11: International Aviation Regulation**

**Guest Speaker:** Michael Durham

**Background:** Michael Durham is a former CFO of American Airlines and former CEO of Sabre, an information technology services provider for the travel industry. Mr. Durham currently serves on the boards of several public and private companies, including Acxiom, Asbury Automotive, and Hertz, and consults in the aviation and technology industries. He received his undergraduate degree from the University of Rochester and his MBA from Cornell University.

**Reading:** TBA

**22. Tuesday, November 16: Emerging Markets**

**Reading:** Chapter 17 (pp. 549-563)

**Case:** Tesco PLC in India? (pp. 564-566)

**23. Thursday, November 18: Guest Speaker Slot (subject to change)**

**Guest Speaker:**

**Background:**

**Reading:**

**24. Tuesday, November 23: Ethics in the Global Arena**

**Reading:** Chapter 23 (pp. 749-761); Nike in Southeast Asia (pp. 112-115); Silverstein (Blackboard); Kristof (Blackboard)

**HW Due:** Reading questions (Blackboard)

**NOTE: Thursday, November 25: Thanksgiving (NO CLASS)**

**25. Tuesday, November 30: Corruption and Bribery in a Global Context**

**Reading:** Chapter 23 (pp. 761-771); Easterly (Blackboard); Fisman (Blackboard); Searcey (Blackboard);

**Case:** Siemens: Anatomy of Bribery (pp. 774-777)

**26. Thursday, December 2: Corporate Social Responsibility and Creative Capitalism**

**Reading:** Ch. 19 (pp. 621-625); Karnani (Blackboard); Excerpt from *Creative Capitalism* (Blackboard)

**HW Due:** Reading questions (Blackboard)

**27. Tuesday, December 7: Course Wrap-Up**

**28. Thursday, December 9: Exam 3 (covers classes 19, 21-27)**

There is no final examination in this course.

**Required Readings, in the order they are assigned (These readings are available through E-reserves on Blackboard; required readings added after the preparation of this syllabus will also be available on E-reserves.)**

Baumol, William J., Robert Litan, and Carl Schramm. 2007. *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*. New Haven: Yale University Press, ch. 5.

Schramm, Carl, and Robert E. Litan. 2008. "The Growth Solution." *The American* July/August:32-38.

Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, Destructive." *Journal of Political Economy* 98(5, Pt. 1):893-921.

Intellectual property law, selected provisions.

Puknys, Erik R., and Weiguo (Will) Chen. 2009. "U.S. Patent-Law Reform Update."

Peterson, Kristina. 2009. "Proposed Change in Patent Policy Pits Big Firms vs. Small." *Wall Street Journal*, November 4, p. A4.

Downes, Larry. 2009. *The Laws of Disruption*. New York: Basic Books, pp. 195-220.

World Trade Organization. 2007. *Understanding the WTO*. 3<sup>rd</sup> ed., pp. 39-43.

Reichman, Jerome H. 2009. "Compulsory Licensing of Patented Pharmaceutical Inventions: Evaluating the Options." *Journal of Law, Medicine, and Ethics* 37:247-263.

Facebook reading packet.

Malkiel, Burton G. 2007. "Finance and Innovation." In *Entrepreneurship, Innovation, and the Growth Mechanism of the Free-Enterprise Economies*, eds. Eytan Sheshinski, Robert J. Strom, and William J. Baumol. Princeton: Princeton University Press, pp. 324-336.

Gage, Deborah. 2009. "Fight Against Regulation Intensifies." *Venture Capital Journal*, November 1.

McGuire, Terry. 2009. Congressional Testimony. October 6, 2009.

Auletta, Ken. 2009. "Searching For Trouble." *New Yorker*, October 12, pg. 46.

Vascellaro, Jessica E. 2010. "Google Agonizes on Privacy as Ad World Vaults Ahead." *Wall Street Journal*, August 9, p. A1.

Ghemawat, Pankaj. 2007. *Redefining Global Strategy*. Boston, MA: Harvard Business School Press, ch. 2.

Aldeasa (B) Case.

Silverstein, Ken. 2010. "Shopping for Sweat." *Harper's Magazine*, January, pp. 36-44.

Kristof, Nicholas D. 2009. "Where Sweatshops Are a Dream." *New York Times*, January 15, p. A35.

Easterly, William. 2001. "Corruption and Growth." In *The Elusive Quest for Growth*, Cambridge, MA: MIT Press, 2001, Ch. 12.

Fisman, Raymond. 2010. "Corruption You Can Count On." *Wall Street Journal*, April 3, p. W3.

Two articles by Dionne Searcey regarding corporate bribes (contained in one pdf):

Searcey, Dionne. 2009. "U.S. Cracks Down on Corporate Bribes." *Wall Street Journal*, May 28.

Searcy, Dionne. 2009. "Small-Scale Bribes Targeted by OECD." *Wall Street Journal*, December 10.

Karnani, Aneel. 2010. "The Case Against Corporate Social Responsibility." *Wall Street Journal*, August 23, p. R1.

Kinsley, Michael, ed. 2008. *Creative Capitalism*. New York: Simon & Schuster, selected pages.