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Spring 2013, Tues. and Thurs. 12:30-1:45
Office Hours: Mon. 1-3 PM, and by appt.
<http://www.rochester.edu/College/PSC/primo>

PSC 244K
Politics and Markets: Innovation and the Global Business Environment
This Version: January 17, 2013

Course Description

Innovation is a driving force behind the massive increase 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 institutions. 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*, 7th ed., by David P. Baron. Two copies of the textbook are on 2-hour reserve in Rush Rhees Library. Additional required readings are available in the Reserves section of the course Blackboard page; readings added later in the semester will also be placed here.

Course Requirements

- **Exams**
There will be three closed-book exams in the course on February 19, March 28, and April 30. There is no final exam. *Make-up exams are not given—exceptions are rarely granted.*
- **Analysis Questions**
You will be asked to analyze a case or answer reading questions for certain classes (indicated by “HW Due” on the syllabus). Questions are 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.*

Grading

- *Exams* each count toward 30 percent of your grade.
- *Analysis Questions* collectively count toward 10 percent of your grade. You are required to turn in 6 assignments to receive full credit for this portion of your grade. If you turn in fewer than 6 assignments, your grade will be reduced proportionally. For instance, if you turn in only 5 assignments, you will receive 8.3 out of 10 points for this portion of your grade.

Teaching Assistant

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

Trung Dang
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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; non-textbook readings are listed by author last name or title (if no author) and are available on Blackboard. Readings will be discussed on the days listed; for instance, the reading for Innovation and Integrated Strategy will be covered on January 29.

- 1. Thursday, January 17: Introduction**
- 2. Tuesday, January 22: Foundations of an Innovative Society**
Reading: Baumol, Litan, and Schramm; Litan and Schramm
- 3. Thursday, January 24: Types of Innovation**
Reading: Baumol
- 4. Tuesday, January 29: Innovation and Integrated Strategy**
Reading: Ch. 1 (pp. 1-5); Ch. 2 (pp. 30-47)
HW Due: Analysis questions
- 5. Thursday, January 31: Intellectual Property—Patents**
Reading: Chapter 14 (pp. 380-387); Intellectual Property Law
Case: Smartphone Patent Wars—read Martin et al. and Wolf
- 6. Tuesday, February 5: Intellectual Property—Copyrights and Trademarks**
Reading: Reread Chapter 14 (pp. 380-387) and Intellectual Property Law; Raustiala and Sprigman; Loten
HW Due: Analysis questions
- 7. Thursday, February 7: The Pharmaceutical Industry**
Reading: Yang
- 8. Tuesday, February 12: Intellectual Property in an International Context**
Reading: Chapter 19 (p. 527); World Trade Organization; Reichman
Case: Compulsory Licensing, Thailand, and Abbott Laboratories (pp. 545-549)
HW Due: Analysis questions on Blackboard [not the questions at the end of the case]
- 9. Thursday, February 14: Internet Privacy and Innovation**
Reading: TBA
- 10. Tuesday, February 19: Exam 1 (covers classes 2 through 8)**
- 11. Thursday, February 21: Guest Speaker—Occupational Licensing as a Barrier to Entry**
Speaker: Robert McNamara, Senior Attorney, Institute for Justice
Reading: Carpenter et al.; Goldstein; McArdle
HW Due: Analysis questions

12. **Tuesday, February 26: Google and the Antitrust-Innovation Tension**
Reading: Auletta; Google; Schmidt; Stoppelman; Efrati and Kendall; Romm
HW Due: Analysis questions
13. **Thursday, February 28: Financial Innovation**
Reading: TBA
14. **Tuesday, March 5: Integrated Strategy in a Global Context**
Reading: Ghemawat
HW Due: Analysis questions
15. **Thursday, March 7: International Trade**
Reading: Chapter 19 (pp. 519-540)
16. **Tuesday, March 19: Japan**
Reading: Chapter 14 of Baron, 6th edition (Blackboard)
Case: Toys 'R' Us and Globalization (pp. 552-556)
HW Due: Analysis questions on Blackboard [not the questions at the end of the case]
17. **Thursday, March 21: Guest Speaker Placeholder**
18. **Tuesday, March 26: The European Union**
Reading: Chapter 15 (pp. 417-425, 434-439)
Case: The Euro Crisis (pp. 444-447)
19. **Thursday, March 28: Exam 2 (covers classes 9, 11-17)**
20. **Tuesday, April 2: China**
Reading: Chapter 16 (pp. 448, 453-470)
Case: Google in China (pp. 472-476); Google out of China (pp. 699-702)
HW Due: Analysis questions on Blackboard [not the questions at the end of the case]
21. **Thursday, April 4: Emerging Markets**
Reading: Chapter 17 (pp. 477-493); Immelt et al.
Case: TBA
22. **Tuesday, April 9: Guest Speaker Placeholder**
23. **Thursday, April 11: Ethics in the Global Arena**
Reading: Chapter 24 (pp. 681-690); Nike in Southeast Asia (pp. 95-97); Silverstein; Kristof; Wingfield; Mozur
HW Due: Analysis questions on Blackboard
24. **Tuesday, April 16: Corruption and Bribery in a Global Context**
Reading: Chapter 24 (pp. 691-699); Easterly; Fisman; Palazzollo
Case: Siemens: Anatomy of Bribery (pp. 704-706)
25. **Thursday, April 18: Guest Speaker (Topic TBA)**
Speaker: Scott Birnbaum, Operating Partner, Kohlberg and Company
Reading: TBA

26. Tuesday, April 23: TBA
27. Thursday, April 25: Course Wrap-Up
28. Tuesday, April 30: Exam 3 (covers classes 18, 20-27)

Required Readings on Blackboard (These readings, and any readings added after the semester begins, will be made available in the Reserves section of Blackboard.)

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

Litan, Robert E., and Carl J. Schramm. 2012. *Better Capitalism: Renewing the Entrepreneurial Strength of the American Economy*. New Haven: Yale University Press, ch. 1.

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

Intellectual property law, selected provisions.

Martin, Laura, Charlie Wolf, and Dan Medina. 2012. "Patent Wars: War Zone Economics." Needham Insights Report, April 18.

Wolf, Charles R. 2012. "Wolf Bytes 41.34: iPhone 5 is Launched and the Patent War Heats Up." Needham Insights Report, October 1. Read pp. 19-23 only.

Raustiala, Kal, and Christopher Sprigman. 2012. *The Knockoff Economy: How Imitation Sparks Innovation*. New York: Oxford University Press, ch. 2.

Loten, Angus. 2012. "New Tool in Trademark Fights." *Wall Street Journal* (online), February 23.

Yang, David. 2012. "Good Prognosis: New Drugs and Greater Healthcare Coverage Keep Demand Afloat." IbisWorld Industry Report 32541a, December.

World Trade Organization. 2011. *Understanding the WTO*. 5th 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. Read pp. 247-250 only.

Carpenter, II, Dick M., Lisa Knepper, Angela C. Erickson, and John K. Ross. 2012. "License to Work: A National Study of Burdens from Occupational Licensing." Institute for Justice Report, May.

Goldstein, Jacob. 2012. "So You Think You Can Be a Hair Braider?" *New York Times Magazine*, June 17, p. 20(L).

McArdle, Megan. 2012. "Why You Can't Get a Taxi." *The Atlantic Monthly*, May, pp. 30, 32-33, 36.