

# Business Strategies and Solving Social Problems

## FOR BIDDING PURPOSES ONLY

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Kravis 931

Office Hours: on-line registration

Business will be a primary contributor to solving the big social problems of the 21<sup>st</sup> 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, politics, and civil society work to resolve the big social challenges of this century. These challenges are the consequences of inequality, corruption, climate change, immigration, and exclusion.

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 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. Sometimes public engagement extends to 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. The expectations for reading are higher for this class than for most of your other CBS classes.

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.

Who Should Take this Course?

The course is designed to provide an understanding of the economy and society that recognizes that governments, business, unions and other non-statal organizations pursue their individual success by solving collective problems. The cases, readings, and speakers speak to the merits of market or government or business, as well as to their limits. The class makes the case for thinking innovatively and practically rather than hoping that solutions can be imposed.

This then is a class for those who want to consult on policy and strategy, who want to lead or start businesses to solve tough social problems as part of their business strategy, investors who want to invest in large social projects because they are sometimes profitable, and for those socially-engaged who want to understand how markets provide the scale to make a difference.

This is not a course on social enterprise, on how government can mandate

solutions you or we want, or on how purpose and mission trump selfishness and greed. It is about social progress.

### 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 libertarianism 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 confuse 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 libertarianism to reaction, reaction to libertarianism, and now again libertarianism to reaction is not accidental. It presents business with a fundamental question:

what should business do?

## Attendance and 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. We follow the CBS policy regarding what constitutes an excusable absence.

The course has three short written requirements, two quizzes, and a final exam:

**Assignments:** For the first assignment, we will assign you to groups of 4 or 5 to prepare for the second class on the Canyon Johnson Urban Fund case. Each group will analyze the data in the case and give their advice as to which project should be taken. You will work in groups for 20 minutes. We will also provide you with an Excel sheet of the financials. The expected product is a short recommendation to two questions. See Session #2 for more information. (Make sure all names are on the document.)

For the second assignment, you are asked to meet in a group prior to Session # to discuss the short Amazon case and to analyze the data on the bidding.

For last day of class, you should prepare a one-page proposal and one-slide power point that proposes a business strategy to solve a social problem. This can include a problem that we already discussed. You will work in groups.

**Quizzes:** There will be two quizzes to inspire you to learn the fundamental material.

**Final exam.** There will be a final take-home exam that will rely upon a case. You will download the case and questions on a day of your choice during the first 5 days of exam week. You will have 5 hours to answer (but will need far less time). All work on the exam is individual.

**Extra:** There are 12 sessions. We look occasionally for groups to volunteer to explain a reading or debate. For the session you have chosen, you are asked to submit a ppt of 2 to 3 slides max. The first opportunity will be for session #3, March 31.

## Grading

Grading is based on your class participation for the 12 sessions (30%), the two assignments/write-ups (20%), the final paper/final exam (30%), poll I questions (10%), and the two quizzes (10%). Written work 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.

## Class Sessions: Cases and Readings

### **March 24 (Markets and the State)**

Session 1: Emergency Powers of the State: What Role for Markets?

Case: The Vaccine and Covid-19: Waiting For Godot (Kogut and Dell'Acqua)

Reading:

Mobilizing the private sector for an equal and rapid COVID-19 vaccine rollout,  
World Bank.

Assignment Questions

1. Do Pharma firms have an obligation to be part of the solution?
2. Should the government set prices by which to purchase vaccines?
3. Is there a justification for political policy intervention including investing in companies?
4. Are there are other solutions?

Session 2: Privatization of the State

Reading:

Bruce Kogut and Andrew Spicer, Capital market development and mass privatization are logical contradictions: lessons from Russia and the Czech Republic, Industrial and Corporate Change, 2002

Thought question: What factors explain why some countries "in transition" from socialism to capitalism are more successful in privatizing the assets of state-owned enterprises

For Session 4: Looking for a volunteer group to explain "Radical Markets" reading.

### **March 31 (Markets, State, and Firms)**

Session 3: Urban Development and Government Incentives

Case: [Canyon Johnson Urban Fund](#)

[Assignment: At the start of class, you will meet in assigned groups by logging into](#)

zoom and we will randomly assign you to groups. You will have 20 minutes to read the case (if you have not done so already) and respond to two questions in writing -text or power point:

1. What is your recommendation to Turner at Canyon Johnson Urban Fund,
2. and why do you make that recommendation based upon case facts and also financials? An excel spreadsheet will be available to download should you wish to analyze the financials.

Reading:

Why Tokyo is the land of rising home construction but not prices, Financial Times  
Leveraging cities: Toward a sustainable urban development fund, Brookings Institute

Recommended reading:

Battle of Carnegie Hill, The New York Metro -fun reader for you New Yorkers.

Glaeser, E.L., Gyourko, J. and Saks, R., 2005. Why is Manhattan so expensive? Regulation and the rise in housing prices. The Journal of Law and Economics, 48(2), pp.331-369.

Session 4: Monopoly Power, Monopsony Power, and Future of Work

Reading:

Class note, Bruce Kogut: Coase and Private Ordering

Eric Posner and Glenn Weyl, 2017, Introduction, Radical Markets.

(For the group presenting Posner and Weyl, please also read Chapter 1: Property is Monopoly)

David Autor, "Work of the past, work of the future", Vox Eu, March 19, 2019

Recommended readings:

in defense of Big Business:

[Tyler Cowen, 2019, Big Business. A Love Letter to an American Anti-Hero, Chapter 5, "How Monopolistic is American Big Business?"](#)

On-Line Platforms, AI, and Monopsony Power over Workers:

[Naidu, Suresh, Eric A. Posner, and Glen Weyl. "Antitrust remedies for labor market power." Harvard Law Review, 2018](#)

Preparation Questions:

- 1) Does the Posner and Weyl vision of property and markets appeal to you? Why? Why not?
- 2) Why might the real danger be in the monopsony power of employers?

## **April 7 Civil Society, State, and Firm**

Session 5: Immigration, Civil Society and the Limits of Business

Case: [Angela Merkel and 1.1 Million Refugees](#) (Kogut and Dell'Acqua)

Guest Speaker: Frank Mattern, Chairman of the Strategic Advisory Board; former head of McKinsey Germany and member of the global management board.

Preparation Questions for the Case:

- 1) Are governments and businesses in rich countries obligated to absorb asylum seekers and refugees?
- 2) Should private firms be contracted to design strategies and implement them for the processing of asylum seekers and their asylum claims?
- 3) Are there ways to reduce political risk that firms like McKinsey and Roland Berger faced in the German situation?
- 4) What are "solutions" to immigration?

Suggested Reading:



David Dorn and Josef Zweimueler, 2021, Migration and Labor Market Integration in Europe, Journal of Economic Perspectives—Volume 35, Number 2—Spring 2021—Pages 49–76

Background Reading:

IW-Report, **Making Tremendous Progress with Integration of Refugees**  
**A review five years after the great migration**, 42/2020, Geis-Thöne, Wido

Cologne, 1 September 2020 (This is a very detailed report on the progress of integrating refugees 5 years after the Merkel decision.)

[The Economist, August 25, 2020, Five years after arrival, Germany's refugees are integrating](#)

New York Times, September 5, 2019, [South African Riots Over 'Xenophobia' Prompt Backlash Across Africa](#)

["Europe's New Refugees: A Road Map For Better Integration Outcomes", McKinsey Global Institute, December 2016](#)

Session 6: Civil Society and Failing Democracy. TBA

Reading:

[Could Deliberative Democracy Depolarize America? Stanford scholars think so. February 4, 2021, Stanford News.](#)

Background:

[Deliberative democracy](#)

[Follow my vote](#)

[Liquid Democracy: True Democracy for the 21<sup>st</sup> Century](#)

[Blockchain and Metaverse Voting: is it Possible?](#)

**April 14 (Markets, Cities, and Labor)**

## Session 7: Labor, National Bargains, and Stagnant Wages

Historical Note: [The National Bargain: The Strikes over Taylorism in Three Countries and the Aftermath of Weimar and Nazi Germany and Post-War Germany Assignment, Bruce Kogut](#)

Note: [The Treaty of Detroit, excerpted parts, from Mark Mizruchi.](#)

### Questions:

- 1) Compare the experiences of workers in three countries in adapting to Taylorism.
- 2) What did Weimar learn from these experiences and fail to learn?
- 3) After the war, Germany adopted a “social market economy”. What do you view as the central institutions of this system?
- 4) Elizabeth Warren had called for the adoption of “co-determination” on corporate boards. Do you agree with this call?

## Session 8: Meaningful Work for a Gender-Neutral Society

### Reading:

Claudia Goldin, 2021, *Career and Family: Womens Century-long journey toward equity*, Princeton: Princeton University Press, Chapter 8, Mind the Gap and the Chapter 9, The Case of the Lawyer and Pharmacist. (I recommend the book.)

### Preparation Questions:

1. What is the gender gap (chapter 8)?
2. Is gender equality possible without providing equality in the home?
3. Does the comparison of the lawyer and Pharmacist suggest a possible solution?

### Background Reading:

[Bartel, Ann P., Maya Rossin-Slater, Christopher J. Ruhm, Jenna Stearns, and Jane Waldfogel. "Paid family leave, fathers' leave-taking, and leave-sharing in dual-earner households." Journal of Policy Analysis and Management](#)  
[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\(4\), 601-63](#)

## READ ASSIGNMENT FOR APRIL 21 IN NEXT SESSION.

### April 21 (Non-Market Strategies of Firms)

#### Session 9: The Entrepreneurial State

Case: [What Drives Musk?](#) (Kogut and Dell'Acqua)

#### Preparation 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 (or rather are the states) entrepreneurial to subsidize Musk?

#### Reading:

[Mariana Mazzucato, 2015, chapter 2, The Entrepreneurial State, New York, Perseus Books.](#)

Note: A Short-short Primer on Non-market Strategies (in progress)

#### Assignment:

Caselet: [Bidding to Pay Amazon's Rent](#) with [Data on Amazon's HQ2](#), (Kogut and Dell'Acqua)

#### Questions to prepare:

- 1) Should New York City and the state of New York have refused from the start to compete in the incentives to attract the Amazon HQ2 investment?
- 2) Using the excel-sheet data, what factors do you think lead cities to bid high?

#### Session 10: The Social Economy: Measuring Social Value and Impact

#### Reading:

Larissa MacFarquhar, What Money Can Buy. Darren Walker and the Ford Foundation set out to conquer inequality, New Yorker, December 2015.

[Antony Bugg-Levine, Bruce Kogut, Nalin Kulatilaka, A New Approach to Funding Social Enterprises](#), Harvard Business Review, January 2012

April 28 (What is a Just and Free Society?)

Session 11: Non-Market Strategy in Practice

Guest Speaker: [Donnel Baird](#), CEO, [BlocPower \(BY ZOOM\)](#)

USEFUL BACKGROUND:

CBS Caseworks: [BlocPower: Energizing Urban Neighborhoods, \(Bruce Kogut and John Walker\)](#)

Recommended Reading:

[BlocPower + Goldman Sachs](#)

[BlocPower + Kapor Capital Impact Report](#)

[BlocPower Is Bringing Solar To NYC's Most Distressed Neighborhood](#)

[A Note on MLK, Clean Energy, and American Inner Cities](#)

Session 12: The Wrapping-up

Presentations (see details under Attendance and Assignments)

By 6 pm on April 27th, every group will submit a one-page proposal, and one slide ppt on the assignment. We will select 2 to be presented in the final class, 10 minutes each.