

# **Business Strategies and Solving Social Problems**

## **Geffen 640: TU & THUR 9:00-10:30**

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TA: TBA

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Kravis 870

Class Hours: 9:00-10:30

Office Hours: Tuesdays 10:30-11:15 am ([on-line registration](#)). Other times may be available upon request; please contact the TA.

Business is 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, government, and civil society work to resolve the big social challenges of this century. These challenges are the consequences of inequality and exclusion, corruption, climate change, immigration, and threats to democracy.

The course is organized around the actions of firms to these major challenges, ranging from income equality to immigration to the quality of work life and existential risk and promises of AI. There are reasons why such actions may be taken, and we will discuss them through the analysis of cases, historical and living.

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 nonstatel 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 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.

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. 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.

There are many varieties of how to organize capitalism. We discuss many systems (e.g., the US, Sweden, Germany, France, India, and China). Also, we also discuss the new thinking on technological innovations and democracy -an area of particular interest to me. 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 out some mild claims of causality about their institutions and economic (or social) outcomes.

### **Who Should Take this Course?**

This 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, 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 relying upon many actors to achieve.

### **Why this Course Now?**

Globalization, climate change, population growth (and collapse) and technical changes pose specific challenges in our 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. And not least, there are serious challenges to democracy in countries around the world. We allocate two classes to a discussion of new innovations in democracy to discuss these issues.

This class presents business and you with a fundamental question:

what should business and society do?

**Attendance and Assignments:**

This course relies on cases and reading material. You are required to come prepared to discuss the case. Missing class must be excused or explained 24 hours ahead of meeting; unexcused classes will be considered missing class. We follow the CBS core policy defining an excusable absence. For clarity, three unexcused classes constitute a fail for the class.

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

**Assignments:** These vary in what they require. In some cases, you will be asked to analyze financial and economic data, as well as social science observations, regarding a case. In others, you will meet in groups to propose a solution to a problem.

**Quizzes:** There will be two quizzes to inspire you to learn the fundamental material. One at the midway of the course; the other at the end of the course and distributed as part of the Final Exam.

**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 3 hours to answer. All work on the exam is individual. Details of the available window will be during the exam finals period.

**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.

**Grading**

Grading is based on your class participation for the 12 sessions (30%), the three assignments/write-ups (15%), the final exam (25%), poll questions (10%), and quizzes (20%). 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** (The sessions in fall 2023 will resemble the sessions before; there will be considerable changes).

## Markets and the State

**Session 1 (October 24):** Varieties of Capitalism: Libertarian Market, Social Economy, State Capitalism

### Reading:

Milton Friedman, 1970, [“The Social Responsibility of Business is to Increase its Profits”](#), New York Times Magazine.

Class note, Bruce Kogut: [Coase and Private Ordering](#)

## Markets, State, and Firms

**Session 2 (October 26)** Urban Development and Government Incentives

**Case:** [Canyon Johnson Urban Fund](#).

Additional Case Data: Canyon Johnson Case Financials ([spreadsheet](#))

*Assignment: At the start of class, we will randomly assign you to groups. You will have 10 minutes to respond to two Study questions in writing -text or power point:*

### Study Questions

1. What is your recommendation to Turner at Canyon Johnson Urban Fund?
2. Based upon case facts and also financials, why do you make that recommendation?

An excel spreadsheet will be available on canvas to download. I encourage you to analyze the financials individually prior to class.

### 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 read for you New Yorkers.

### Session 3 (October 31): Communities and Workers

Guest speaker in-person: [TBA](#)

#### Reading:

Mario Small, [Banks and the ecology of racial inequality](#), PNAS 2022 .

Note: This paper follows from out of our discussion in Session 2. It's very short, it's published in one of the top general science journals, and is accessibly written.

### Session 4 (November 2): Monopsony Power and Future of Work

#### Reading:

David Autor, "[Work of the past, work of the future](#)", Vox Eu, March 19, 2019

*The Argument over the Monopsony Power of Big Business over Workers:*

Pedro Braga Soares, [Ryan Bourne](#), and [Jeffrey Miron](#), [Is There Monopsony Power in U.S. Labor Markets?](#), Summer 2022, Cato Institute. (Conservative think tank that provides a good overview of the monopsony argument and why they think it is bunk.)

Background not-required reading:

[Dell'Acqua, Fabrizio, Kogut, Bruce and Perkowski, Patryk, 2022, Super Mario Meets AI: Experimental Effects of Automation and Skills on Team Performance and Coordination.](#)

#### Study Questions

1. Why are tech firms the center of controversy over monopoly powers?
2. Rather than monopoly power, why might the real danger to the social good be the monopsony power of employers?

### NOVEMBER 7: ELECTION DAY -NO CLASS

#### Social Value and Economic Value

### Session 5 (November 9): 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 Layer and Pharmacist. (I recommend the book.)

## Study 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:

[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](#)

## Civil Society, State, and Firm

### Immigration, Civil Society and the Limits of Business

## Session 6 (November 14)

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

## Study 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 Zweimueller, 2021, “[Migration and Labor Market Integration in Europe](#),” Journal of Economic Perspectives—Volume 35, Number 2—Spring 2021—Pages 49–76

## Background Reading:

[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](#)

## Session 7 (November 16): Civil Society and Failing Democracy.

**Midterm:** Quiz first 20 minutes

**Case:** A Revolution in Democracy. Are Crypto-Technologies a Solution to Today's Ills?  
(Stephenson and Kogut)

**Reading:**

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

**Background:** three stages in voting: deliberation, the vote, the securing the count.

[Deliberative Democracy: An Introduction, liqd.net](#)

[Liquid Democracy: True Democracy for the 21<sup>st</sup> Century Blockchain and Metaverse Voting: is it Possible?](#)

## **Non-Market Strategies of Firms**

### **Session 8 (November 21): New Session: Social value and Ecosystem Analysis**

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

### **Session 9 (November 28)**

Guest speakers: TBA (Alternative Energy in NYC)

**Reading:**

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

*\*Assignment Due November 30<sup>th</sup> for next class. We will create groups of 4. The assignment requires you to read : [Bidding to Pay Amazon's Rent](#) with [Data on Amazon's HQ2](#)". Questions are given below. Two-page write up*

#### **Assignment Questions**

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 (November 30): The Entrepreneurial State**

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

#### **Study 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.

**Session 11 (December 5)**

Guest speaker in-person

**Session 12 (December 8): The Wrapping-up**

There are three parts to this final class session.

1. Evaluation of class.
2. Presentation.

By 6 pm on December 6, 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.

3. Wrap-up Discussion

Final examination is a take-home explained on page 3.