Ford Foundation Conference on

Finance, Business Models, and Sustainable Prosperity

December 6 and 7, 2012

To be held at
Ford Foundation
320 East 43rd Street
New York NY

Principal Investigator and
Conference Organizer
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www.fiid.org
The conference on “finance, business models, and sustainable prosperity” presents research from a Ford Foundation project, Financial Institutions for Innovation and Development, directed by William Lazonick. The conference will compare the United States, Japan, and China, the world’s three largest economies. It will throw the spotlight on the finance of innovation under different types of “business models” and the implications at the national level for equitable and stable economic growth — or what we call “sustainable prosperity.”

Conference website: www.fiid.org
Contact us: innovation2012.fiid@gmail.com
A business model represents a company's competitive strategy, organizational structure, and financial behavior. In his award-winning 2009 book, Sustainable Prosperity in the New Economy? Business Organization and High-Tech Employment in the United States, William Lazonick shows how, in the information and communication technology industries, the “New Economy business model” (NEBM) that evolved out of Silicon Valley from the 1960s replaced the “Old Economy business model” (OEBM) that had made the United States the world’s dominant economy in the post-World War II decades.

Under OEBM, careers with one company, industrial unions, and reinvestment of corporate profits contributed to equitable and stable growth in the US economy. Over the past three decades NEBM has been highly innovative in commercializing the products of the microelectronics revolution, from microprocessors to the Internet to smart phones. NEBM relies heavily, however, on the stock market to induce capital investment and reward employees. This enhanced role of the stock market has contributed to the “financialization” of corporate resource allocation. Manifested most directly in massive corporate stock buybacks, financialization undermines investment in innovation and erodes middle-class jobs.

A key catalyst for the shift from OEBM to NEBM in the 1980s was the rise of Japanese competition in a range of industries including automobiles, consumer electronics, semiconductors, machine tools, and steel in which the United States had been the world leader. In effect, Japan perfected the US version of OEBM, particularly by extending organizational learning to the shop floor. Supporting the Japanese business model was the “institutional triad” of stable shareholding, permanent employment, and main-bank lending.

In the late 1980s, however, Japan had a “bubble economy” based on speculation in real estate and corporate stock. With the bursting of the bubble at the beginning of the 1990s, Japan entered into what is widely known as “the lost decade”. Yet, compared with the United States, over the past two decades, the Japan economy has maintained equitable and stable growth based on an unfinancialized business model that promotes the accumulation of productive capabilities. Japan’s “institutional triad”, while weakened, remains largely intact.

Over the past decade, the emergence of China as a major economy has taken the focus off competition between the United States and Japan. For both the United States and Japan, the Chinese economy presents both opportunities and challenges. The opportunities have arisen out the possibilities for foreign direct investment in China through joint ventures with state-owned enterprises under China’s policy, inaugurated in the mid-1980s, of “trading markets for technology”. The challenges have arisen out of the potential for the Chinese, supported by massive government investment in the nation’s science and technology infrastructure, to transform technology transfer into “indigenous innovation”. This transformation, which is well underway, enables Chinese companies, including those operating outside the state-owned system, to develop the productive capabilities to become global competitors.

The combination of government investment, joint ventures with multinationals, and indigenous innovation has generated high rates of economic growth in China. Yet there are signs that the distribution of the gains from growth could become highly inequitable and that growth itself could become unstable. Through global collaboration, value chains, and international trade, China’s growth has become integrally tied to the financialized US business model. In recent years, the Chinese government has been permitting the development of highly speculative stock markets that, by all historical experience, are bound to generate inequity and instability in the Chinese economy.

The Ford Foundation conference on finance, business models, and sustainable prosperity addresses issues that are at the heart of the future of the global economic system. Can the productive economy once again dominate the financial economy in the United States? Will the institutional triad continue to prevail in Japan, and with what impact on the nation’s economic performance? And can China sustain an economic growth path that is both equitable and stable? This conference will not answer all of these questions, but it will be unique in the ways in which it asks them.
Program

Thursday, December 6, 2012

1:00PM–1:30PM | WELCOME

Introduction to the purpose and theme of the conference
Leonardo Burlamaqui, Ford Foundation

1:30PM–3:30PM | UNITED STATES: GENERAL PERSPECTIVES

Innovative enterprise and the developmental state: Toward an economics of “organizational success”
William Lazonick, University of Massachusetts Lowell

Government and business investment in innovation: Europe’s misunderstanding of the Silicon Valley business model
Mariana Mazzucato, University of Sussex

Implications of the recent financial crisis for innovation
William Milberg, New School for Social Research, and Nina Shapiro, St. Peter’s University

Discussants: Jan Kregel, Levy Institute; Richard Nelson, Columbia University

3:30PM–4:00PM | COFFEE BREAK

4:00PM–6:00PM | UNITED STATES, INDUSTRY STUDIES

Innovation versus financialization in communication technology
Bob Bell, University of California Berkeley; Marie Carpenter, Telecom School of Management (Paris); and Henrik Glimstedt, Stockholm School of Economics

Innovation versus financialization in renewable energy
Matt Hopkins, The Academic-Industry Research Network

Innovation versus financialization in biopharmaceuticals
Öner Tulum, The Academic-Industry Research Network, and Mustafa Erdem Sakinç, University of Bordeaux


6:00PM | RECEPTION
Friday, December 7, 2012

8:45AM–9:00AM | WELCOME TO DAY TWO
Leonardo Burlamaqui, Ford Foundation

9:00AM–12:00PM | JAPAN

Innovative business models and varieties of capitalism: United States and Japan compared
William Lazonick, University of Massachusetts Lowell

The interaction of financial institutions and employment institutions for start-ups in the Japanese economy
Mari Sako, Oxford University

Inside the castle gates: International competition, inward FDI, and the persistence of Japan’s economic model
Kenji Kushida, Stanford University

Private or public? Financing Japanese firms
Kay Shimizu, Columbia University

Discussants: Panel of Mari Sako, Kenji Kushida, and Kay Shimizu

12:00PM–1:00PM | LUNCH WITH KEYNOTE SPEECH

1:00PM–4:00PM | CHINA

China’s path to indigenous innovation
William Lazonick, University of Massachusetts Lowell, and Yin Li, Georgia Institute of Technology

Returnees and development of China’s high-tech Industries
Yifei Sun, California State University Northridge

The state, finance, and high-tech industrialization: Lessons from the Chinese experience
Dic Lo, University of London

Run of the Red Queen: Government, innovation, globalization, and economic growth in China
Dan Breznitz and Michael Murphree, Georgia Institute of Technology

Discussants: Peilei Fan, Michigan State University; Richard P. Suttmeier, University of Oregon

4:00PM–4:30PM | COFFEE BREAK

4:30PM–6:00PM | ROUNDTABLE DISCUSSION

Finance of innovation and economic performance: USA, Japan, China
Leonardo Burlamaqui, Ford Foundation; Susan Houseman, Upjohn Institute for Employment Research; Robert Kuttner, The American Prospect and Demos; Mariana Mazzucato, University of Sussex; Damon Silvers, AFL-CIO