**MGT 462**: Book Club Facilitation Survey for Facilitators

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Book Title \_\_\_\_\_\_\_23 Things They Don’t Tell You About Capitalism\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chapter Number and Title of Chapter \_\_\_Thing 1: There is No Such Thing as a Free Market\_\_\_\_\_\_

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Book Club Facilitators’ Names: \_\_\_ Taylor Swift, Kim K, Scooter Braun, Phil Gorman\_\_\_\_

What were the key themes of the chapter?

*Theme 1*

One key theme is that there is no such thing as a free market, at least not on a large scale. There are rules and regulations that define what businesses and individuals are allowed to do, and likewise there are rules and regulations that define what businesses are not allowed to do.

*Theme 2*

Free trade is different than “fair trade.”

Do you personally believe what was written in the chapter?

We *mostly* believe what was written in the chapter.

*Theme 1*

In the U.S., for example, there are copyright laws that say a person or a business can protect its intellectual property, such as company logos and slogans. If you try to introduce a product that is named too similarly to another existing product, or in some instances looks too much like one (e.g., Starbucks Unicorn Frappucino). Also, for example, if you are an official with a large business and you are in a room with officials of competing businesses, then you are not allowed to rig prices to increase profits.

On the other hand, there are countries that have different regulations. For example, it is widely reported that some people or businesses in other countries routinely violate U.S copyright laws, in which case the U.S. laws become difficult and costly to enforce. One example is that there are businesses or individuals in China that pirate software, or music, etc., put the content on a CD-ROM or a DVD, and will sell the content at a small fraction of the price you would pay for that content in the “legitimate” market. Also, OPEC—“Oil Producing and Exporting Countries,” which is basically comprised of Middle-Eastern governments—effectively runs a cartel, which is illegal in the United States. However, U.S. companies willingly buy their oil. We *choose* not to even try to enforce U.S. antitrust regulations that prevent such practices for oil sold by OPEC in the U.S. So while there are almost always rules and regulations, some are not enforced very well, and some are very difficult or costly to enforce.

*Theme 2*

“Free trade” means that—again, within restrictions negotiated by governments—companies are allowed to import and export goods. However, there is ongoing debate about whether this “free trade” is actually “fair.” For example, it is well known that both Nike and Apple outsource manufacturing of their products overseas at wage rates considerably lower than those in the U.S., thus shipping some jobs overseas, and sometimes under poor working conditions. However, it seems possible that companies should focus their U.S. workers on innovation and marketing instead of manufacturing. Has anyone actually complained about the quality of a pair of Nike sneakers? Overseas manufacturing may be viewed by some as “unfair” to U.S. workers, but presumably Nike passes the cost savings on to consumers who buy the sneakers. And if Nike is simply pocketing the savings, then a person can buy shares of Nike stock to share in the profit (which is a topic covered in “Thing 2” in this book).

How will the contents of this chapter affect your own decision-making as a manager in your career?

*Theme 1*

There are basically four things I, as a manger can do about people who violate U.S. property-rights laws. First, We can pay lawyers to draft patent applications or copyright protections that are as bulletproof as possible. Second, we can require both employees and potential collaborators to sign documents such as “non-compete” agreements and “non-disclosure” agreements, the latter of which is commonly referred to as an NDA. Third, if We believe someone is violating my patents or copyrights protections, we can file a lawsuit; the downside is that such lawsuits can get very expensive and can take many years to completion. Fourth, we could try to lobby various politicians to try to either get the government to help in enforcement of laws, or to change the laws. This fourth option also can be expensive and slow, and furthermore might cause me to feel as though the political system is set up for its own best interests, not mine.

*Theme 2*

We likely will try to balance tasks that are best performed by U.S. workers (or workers in whatever country we operate in) and workers from other countries. This can work in two directions. If I am a manger in a country with low labor costs, and if my products do not require top-notch quality, then I will try to keep manufacturing operations in the low-labor-cost country. On the other hand if I am a manger in a country with high labor costs, then I will manufacture my products within the country only if the quality of the product is crucial (for example, jet engines) and I otherwise will outsource manufacturing. Apple, for example, maintains its product development and engineering—including the “look and feel” of its products, and specifications of the product, and software development—in the U.S. Once Apple is confident that job is done for any given product, they can then outsource manufacturing to a lower-cost country. Either way, Apple needs to ensure that all workers who are involved are properly trained, and that they have good equipment, and that quality is monitored at every stage. A few bad iPhones is fine; a few bad jet engines is not fine.

Have the contents of the chapter changed your view of how businesses and governments operate?

No.

*Theme 1*

Though the chapter titled “Thing 1” did nicely summarize the issues it addressed, my view of how businesses and governments operate has not changed after reading this chapter. Everybody knows there are rules and regulations, even though these rules and regulations are not always enforced. For example, if I buy an item at a flea market or a bazaar, unless there were fairly major violations of the law, I probably have no recourse. So, I learned little new about Item 1 of Thing 1; I knew these things based on personal experience. For example, assume I once paid $3,000 for the Mona Lisa at a flea market, and it turned out not to be the real Mona Lisa. I never saw that vendor again, and I since I have no idea how to find him, I cannot enforce any laws regarding misrepresentation of goods.

*Theme 2*

This theme completely blends in with Theme 1. What is “fair” is defined by some sort of mesh of businesses, governments, and their citizens. Businesses and governments do work together to try to find a common ground. Various country governments do the same. This all is well known.

One key distinction is that different countries have different voting rights. In the U.S., voters can freely vote for or against a person running for office. This is not the case in all countries. Also, various countries have differing views of what is “fair.” If it turns out that my incentive plan encourages “fairness” at the possible expense of profits or “shareholder wealth” then I have two choices: (1) try to turn a big profit and let shareholders benefit, or (2) say “I am willing to sacrifice profits and shareholder wealth so that I can lean towards fairness to workers.”

Questions

1. What do you think about U.S. companies (including Apple and Nike) outsourcing labor at very low wage rates to factories in other countries?
2. Do you believe U.S. companies have a moral obligation to set a minimum wage standard for the low-wage workers in other countries who manufacture their products (such as the iPhone and many Nike sneakers)?
3. The U.S. government probably could place wage regulations and working-condition regulations on companies such as Apple and Nike when those companies outsource labor to relatively low-wage countries. Do you believe the U.S. government should do so?
4. Do you even care where your iPhone or your sneakers were manufactured?
5. Do you know where the items you purchased were manufactured?

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