



BRIE News

Summer 2000

Highlights of Current Research and Events

The E-conomy Project™



The E-conomy Project™ is a collaborative undertaking of the Berkeley Roundtable on the International Economy (BRIE), the Haas School of Business at UC Berkeley, and the UC Institute on Global Conflict and Cooperation (IGCC). The University of Southern California is a collaborating institution on the International Workshops on Communications Regulation with the UC based partners. Participating faculty represent a broad interdisciplinary range of UC Berkeley departments as well as faculty from UC campuses at Davis, Irvine, Los Angeles, and San Diego.

The project fuses these academics' research agendas with the knowledge and concerns of industry leaders and policy makers, creating an intellectual resource to focus on the profound transformation being wrought by new digital technologies.

The E-conomy Project seeks to understand the nature and implications of the changes unleashed by new digital technologies. The digital economy's growing importance as a structural feature of national economies increases the need for international and comparative analyses. The Project frames such analyses in the context of the

political, economic and regulatory conflicts that inevitably accompany significant technological transformation.

The Project has organized a series of meetings to further these purposes. The first of these meetings, "The Digital Economy in International Perspective: Common Construction or Regional Rivalry" was held in Washington DC, in May 1999, as reported in our last newsletter. An analytic summary of proceedings can be found at <http://e-conomy.berkeley.edu/events/deip/summary.html>.

The next pair of meetings focuses on the Internet's impact on individual sectors of the economy. In April 2000 on the UC Berkeley campus, BRIE convened a workshop, "E-Commerce and the Changing Terms of Competition: A View From Within The Sectors," at which project authors presented preliminary research results. Academics and industrialists came together to listen to and discuss presentations on the textiles, trucking and logistics, food, autos, finance, media, and electronics sectors. The authors detailed the ways in which these sectors are being changed by e-commerce, as well as how these sectors' changes are impacting the economy in return. The program included a discussion session dedicated to policy questions.

BRIE is organizing a conference to be held September 26-27, 2000, in Washington DC, in collaboration with the Institute for Global Conflict and Cooperation (IGCC), the Brookings In-

stitution, the Internet Policy Institute (IPI), the US Department of Commerce, and the Organization for Economic Cooperation and Development (OECD). At this meeting the project authors will present further and more in-depth research on how e-commerce is changing the terms of competition in their sectors. Plenaries on the first day will feature analytic syntheses of the sector studies. The aim of these presentations will be to highlight e-commerce's impact across industries or on particular groups of industries, showing how impacts on sectors are in turn changing the economy as a whole. On the second day, the conversation will turn to the intertwined relationship between policy and business strategies.

The Conference papers will be published in an edited volume.

The next meeting in the series will focus on Linux and other "open source" topics. The meetings are made possible by the generous support of the German Marshall Fund of the United States, and the Alfred P. Sloan Foundation.

Announcement of New Publication

**Tools for Thought:
What is New and
Important about the
"E-conomy"?**

Stephen S. Cohen,
J. Bradford DeLong
and John Zysman

See Page 2.

Trilateral Forum

The Policy Study Group on China-Japan-US Cooperation in Asian Pacific Regional Trade and Investment Liberalization

The Trilateral Forum brought together a senior group of public and private-sector representatives from China, Japan and the United States for the purpose of addressing issues involved in trade and investment liberalization in the Asia-Pacific region. This three-year project, made possible by a grant from the United States-Japan Foundation, was organized by BRIE in collaboration with the Council of Policy and Strategy in China and Dentsu Institute for Human Studies in Japan.

Over these three years, world economic events have greatly changed the context of the dialogue. In this short period of time, the Asian miracle became a crisis and, as the failed Seattle talks reminded us, the WTO has not yet been a world trade organization. At the same time, issues such as e-commerce and the changing nature of trade and financial flows threaten the WTO's structure and stability.

In the final meeting, held in Berkeley, January 27-29, 2000, participants discussed some of the most pressing issues facing the China-Japan-US trilateral economic relationship, including the progress of Japanese economic reforms and China's possible accession to the WTO.

The issues raised in the final meeting underscore the importance of dialogue among the three largest Pacific economies. These discussions have pointed out the often ambivalent attitude of one country to the other two. All three domestic economies will be facing upheaval in the next few years. As China con-

tinues to reform and decrease the state sector, as Japan promotes restructuring, and as the US adjusts to e-commerce and stock market-driven changes, continued dialogue will be imperative for achieving greater progress toward trade and investment liberalization.

Additional information about the



*Alexander Calhoun, Shinji Fukukawa, John Zysman, Chang-Lin Tien
at the Trilateral Forum-Berkeley meeting, January 2000.*

Forum, including summaries and briefing documents, is available at <http://brie.berkeley.edu/BRIE/forum/index.html>.

Publications

Tools for Thought: What is New and Important about the "E-economy"?

BRIE Working Paper #138
E-economy Project™ Working Paper #13

Written collaboratively by Professors Stephen S. Cohen, J. Bradford DeLong, and John Zysman, "Tools for Thought" argues that only by understanding the nature and roots of the "E-economy" can we shape a policy agenda which will sustain and build innovation and productivity, both in the United States and globally.

Information technology provides tools for thought that amplify brainpower in the way the technologies of the Industrial Revolution amplified muscle power. Today's advancing technology gives all economic sectors these powerful new "tools." We are living through a transformation of the entire economic landscape, of organization, institutions, and innovation, a transformation that warrants a new name:

the "E-economy."

The story of the revolution in information technology is at once a story of technology and a story of innovations in business organization and practices. The two stories are yoked together; they pull forward together. The technology story is underpinned and measured by the doubling of semiconductor capability and productivity every eighteen months—a rate that has carried us from the room-sized vacuum-tube computers to the modern Internet—and by the complementary surge in the capacity of the communications network to transmit digital information. Changes in business organization and practices are the second driver of this transformation. This new business ecology includes a promi-

ment role for venture capital, the start-up, the spin-off, and new option-based ways of compensating skilled workers and entrepreneurs – innovations that have unleashed a tsunami wave of new business and new technology. These business innovations embody changing market structures, government regulations, and human experience. All of these changes require re-evaluating policy approaches.

Policy since WWII has been characterized by a creative tension between government investment in technology development and policy rule that assured competitive markets for both the development and application of new technologies. The government invested in basic communications research for military purposes, then handed the technology over to civilian use at the same time as deregulating the communications industry and those industries which were big communications users (finance and airlines). This is a cycle of public development of technology which is then made available for private market exploitation. New policy must maintain this creative tension between public investment, rule making, and private competition.

Other E-economy policy issues range from Internet users' concerns about privacy, data property rights, free speech, and consumer protection, to macroeconomic stability concerns around taxation and the fundamentally new financial and banking environment, to questions of jurisdiction of Internet-based (rather than geographically-based) firms and relationships, to global harmonization of national rules regarding networked actions and relationships—economic and otherwise. Finally, and above all, sustaining an entre-

preneurial economy will require coherence and foresight in policy development. This leads also to questions of education and openness to foreign talent.

The new essay, "Tools for Thought," aims to provide a context and a structure for these policy debates by defining the stakes, the forces and issues at play, using an agenda structured under three broad headings:

1) Public investment in science and technology and in the technological education which people need to realize the benefits of the E-economy. Included under this heading is the

re-opened question of the role of government and the institutional structures that create the next generations of technology and equip them with launch markets.

2) Rule-making for the E-economy, which extends across such thorny issues as privacy, security, and the definition of new property rights and responsibilities necessary for markets to function effectively in consonance with enduring values and purposes.

3) Flexibility and inclusion: For the benefits of productivity to be realized, these new technologies must diffuse throughout the economy; they must be as inclusive as Universal Access to telephones was. Inclusion requires technology infrastructure and education. The greater the education level of the workforce, the greater the benefit of the Internet. In turn, flexibility—or open and competitive markets—requires sustained full-employment in which workers can afford to accept the risks and pursue the benefits of change.

It is a tough agenda.

Information technology provides tools for thought that amplify brainpower in the way the technologies of the Industrial Revolution amplified muscle power.

New Working Papers

BRIE WP142/EP* WP 17

Note on "Venture Capital," Martin Kenney, 2000.

BRIE WP141/EP WP 16

"Governance and Politics of the Internet Economy—Historical Transformation or Ordinary Politics with a New Vocabulary?" Steven Weber and John Zysman, 2000.

BRIE WP140/EP WP 15

"The Political Economy of Open Source Software," Steven Weber, 2000.

BRIE WP139/EP WP14

"International Cooperation and the Logic of Networks: Europe and Global System for Mobile Communications (GSM)" David Bach, 2000.

BRIE WP 138/EP WP13

"Tools for Thought: What is New and Important About the E-economy" Stephen Cohen, Brad De Long, and John Zysman, 2000.

E-economy Project™ WP 1

"The Digital Economy in International Perspective: Common Construction or Regional Rivalry?" ed., John Cioffi, 1999.

E-economy Project™ WP 2

"E-commerce: Implication for Firm Strategy and Industry Configuration," Martin Kenney and James Curry, 1999.

E-economy Project™ WP 18

"Beyond Transformation Costs: E-Commerce and the Power of the Internet Dataspace," Martin Kenney and James Curry, 2000.

**EP : E-economy Project™*

Works by BRIE Authors

"Access and Innovation Policy for the Third Generation Internet" Francois Bar, Stephen Cohen, Peter Cowhey, Brad De Long, Michael Kleeman, and John Zysman. Telecommunications Policy, 24:6-7(July/

Aug) 2000.

“E-Commerce and the Changing Terms of Competition: A View from within the Sectors” Summary Proceedings, ed., Tricia Johnson, 2000.

Corporate Governance and Globalization, eds. Stephen S. Cohen and Gavin Boyd (Edward Elgar Publishing Ltd., Cheltenham, UK. Sept. 2000) <http://www.e-elgar.co.uk/>.

“The Advantages of Forwardness: the Interdependence of the State, Law, and Corporate Governance in an Age of Globalization,” John W. Cioffi and Stephen S. Cohen, in *Corporate Governance and Globalization*, eds. Stephen S. Cohen and Gavin Boyd (Edward Elgar Publishing Ltd., Cheltenham, UK. Sept. 2000)

“Comment on Blinder,” Stephen Cohen, Brad DeLong & John Zysman, in *Internet Policy Institute series*:<http://www.internetpolicy.org/briefing/responses.html>, 2000.

“Governance and Politics of the Internet Economy-Historical Transformation or Ordinary Politics with a New Vocabulary?” John Zysman and Steven Weber in *International Encyclopedia of the Social & Behavioral Sciences*, N.J. Smelser and P.B. Baltes, eds., Elsevier Science Limited, Oxford, forthcoming 2000.

“Entry for “venture capital” into the International Encyclopedia of the Social & Behavioral Sciences,” Martin Kenney in *International Encyclopedia of the Social & Behavioral Sciences*, N.J. Smelser and P.B. Baltes, eds., Elsevier Science Limited, Oxford, forthcoming 2000.

Understanding Silicon Valley: Anatomy of an Entrepreneurial Region, ed., Martin Kenney, Stanford University Press, 2000.

“Economic Impacts of a West Coast Dock Shutdown,” Stephen Cohen and John Wilson, 1999.

NEW BRIE People

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