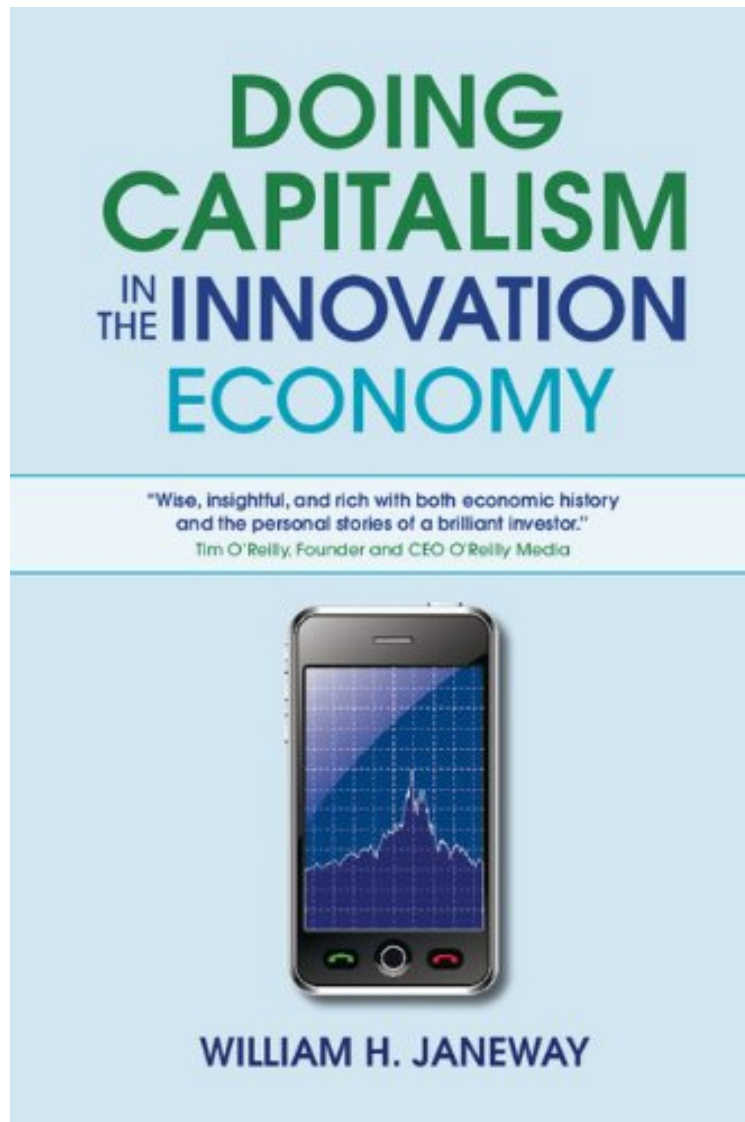


Doing Capitalism in the Innovation Economy

William H. Janeway

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William H. Janeway : Doing Capitalism in the Innovation Economy before purchasing it in order to gage whether or not it would be worth my time, and all praised Doing Capitalism in the Innovation Economy:

23 of 24 people found the following review helpful. One of the best books on the economics of innovationBy G. Leonard Baker, Jr.I've been a partner in a leading Silicon Valley venture capital firm for 40 years. I've also been an avid reader about the economics and history of innovation. Of the many books on this topic, Janeway's is one of the best. He does a superb job of synthesizing economic theory, history, and his personal experiences as a successful financier of entrepreneurs in a beautifully-crafted and easy-to-read book.It's always a bit of a thrill when read a book

about a topic you know well and find bits that make you say to yourself: "I wish I'd thought of that". Janeway's case for the social utility of bubbles, his description of "hedging markets" versus "Ponzi markets", and his formulation of "Schumpeterian waste" versus "Keynesian waste" are all "aha!" ideas that I intend to steal from him and include in my own thinking. My only quibble is that Janeway is a bit unbalanced as he (validly) criticizes financial capitalism but gives government a free pass for all the agency problems of government action. One could easily use his book as an argument for more of the kind of government intervention which I doubt he really intends to advocate. The book would have been stronger if he had spent more time discussing ways in which governments help and how they sometimes do harm. Many venture capitalists write memoirs; many academic economists write theories of innovation with little understanding of what actually happens in the messy, micro-economic world. Janeway is a rigorous economist, a thorough historian, and a successful dealmaker. This makes his perspective rare. The fact that he writes well makes the book exceptional. 5 of 5 people found the following review helpful. Janeway, *Doing Capitalism in an innovation economy* By Syed Nawab Haider Naqvi Janeway's book is really innovative. The state versus the private sector controversy is a perennial topic in the debate about how to keep the innovative spirit alive in a capitalistic economy (basically a private-sector led economy). The Conservatives wish to reduce the state to a Lilliputian size; while the Democrats would like an interventionist state. In the developing countries this debate is more or less settled in favor of a development-oriented state. In the developed countries, role of state is defined in terms of external economies, but the emphasis remains on achieving efficiency. Janeway is perhaps the first person to give a totally innovative argument for state intervention. He shows that the search of efficiency may turn out to be an enemy of innovation, which involves both the Schumpeterian waste as well as the Keynesian waste. It is these wasteful innovations that prove to be the game changers for the private sector to make profits in untried areas of investment. I whole-heartedly recommend the book for economists, including development economists. 2 of 2 people found the following review helpful. Most important book on the economics of innovation in past 50 years. By jlasersohn@hamptons.com Full disclosure. I am also a venture capitalist and worked with Bill for many years. However, my review has absolutely nothing to do with the (completely accurate) VC anecdotes and adventures he describes so well. Instead, I am commenting as a lifelong student of the Industrial Revolution and the history and process of innovation. This book should be required reading for everyone in the innovation ecosystem, especially venture capitalists and government policy makers. Not as a 'how to do venture capital' book, but as a guide to the harsh and completely misunderstood realities of innovation and the interaction between entrepreneurs, government and the financial system that makes it possible. The lessons for the venture community, all mostly libertarians like me: if you don't recognize your complete dependency on rational government you are a fool. For the government: if you are thinking of being a venture capitalist you have probably been captured by some interest group. Even more important, Bill explains with real life examples (many of which I experienced with him) just how messy the entire process of technological innovation really is and how it is completely dependent on irrational bubbles and monumental 'waste' to succeed. As he said in a recent paper for the Institute for New Economic Thinking (which he cofounded with George Soros): "... innovation at the frontier depends on sources of funding decoupled from concern for economic value." My libertarian friends will be aghast to learn that one of those sources of funding is the government. Bill's liberal friends will be aghast to discover that the other, even more important, source is delusional investors, who many liberals would regulate out of existence. As Bill makes clear, the necessary and appropriate interaction between government and the free market to nurture innovation is broadly and completely misunderstood. What is required is neither the liberal fantasy of drugs being developed by the NIH nor the libertarian myth of entrepreneurship in the 'state of nature'. If you really want to understand what is required for innovation to happen in the real world, read this book. (Xi Jinping, are you listening?)

The innovation economy begins with discovery and culminates in speculation. Over some 250 years, economic growth has been driven by successive processes of trial and error: upstream exercises in research and invention and downstream experiments in exploiting the new economic space opened by innovation. Drawing on his professional experiences, William H. Janeway provides an accessible pathway for readers to appreciate the dynamics of the innovation economy. He combines personal reflections from a career spanning forty years in venture capital, with the development of an original theory of the role of asset bubbles in financing technological innovation and of the role of the state in playing an enabling role in the innovation process. Today, with the state frozen as an economic actor and access to the public equity markets only open to a minority, the innovation economy is stalled; learning the lessons from this book will contribute to its renewal.

"Some books", said Sir Francis Bacon, "are to be tasted, others to be swallowed and some few to be chewed and digested". From a lifetime of reflection and experience, Janeway has produced a book that should be chewed and digested thoroughly." Sanjay Unni, *Quantitative Finance* "A rewarding memoir about the learning, training and life experience required to achieve mastery in the venture economy." Kirkus "Bill Janeway, a key creator of modern venture capital, tells the amazing story of the intersection of economics and innovation. This book is essential to

anyone who wants to understand technology and how its creation will be financed for decades to come." Marc Andreessen, co-creator of the Internet browser, and co-founder of Netscape and Andreessen Horowitz "This is a masterful historical and conceptual analysis of the Three Player Game between the state, private entrepreneurial innovation and financial capitalism. The state has a key role in funding scientific research that leads to innovation. Amply funded by financial capitalism, innovation is a source of long term growth. But speculative funding of innovation is also associated with asset and credit bubbles that end up in financial crashes. A Minsky-inspired synthesis of the financial excesses of Schumpeterian creative destruction, this book should be required reading for all." Nouriel Roubini, Professor of Economics, New York University, and Chairman of Roubini Global Economics "A revelatory exploration of the complex dynamics underlying the innovation economy and the inherent roles of speculation and waste as experienced by one of the great venture capitalists and political/economic thinkers of our age. This book provides a powerful framework for dealing with the economic challenges we are facing today. It couldn't have come at a better time!" John Seely Brown, Former Chief Scientist, Xerox Corp, and Director of Palo Alto Research Center (PARC) "Janeway applies keen insights from his experience as a venture capitalist and creates a vision of the interaction between governments, financiers, and firms that shows what institutions society must develop to foster innovation. I believe that Doing Capitalism will help all of us, whether academics, private sector leaders, or government officials, to see beyond shallow political dogma and move to a deeper understanding of challenges of technological advance." George Soros, Chairman of Soros Fund Management "... a tour de force with a solid thesis, excellent writing and exposition, and a history that too many have forgotten ... or never knew. Brilliant!" John C. Bogle, Founder of Vanguard Funds "If you have ever wondered what the interplay of government, bubbles and venture capital have to do with innovation, this is the book for you ... Doing Capitalism in the Innovation Economy is rich in historical references and stories, wise in its philosophy, deep in its evaluation and observation; and a tribute to the life's work of an important investor and constructive thinker. This book is outstanding and deserves your time." Wall Street Oasis (wallstreetoasis.com) About the Author William H. Janeway has been an active venture capital investor for forty years. In particular, he built and led the Warburg Pincus Technology Investment team that provided the financial backing to a series of companies which made critical contributions to building the internet economy. He received his Ph.D. in Economics from the University of Cambridge, where he founded the Cambridge Endowment for Research in Finance, and is a Teaching Visitor in the Princeton University Economics Department. He is a member of the Board of the Social Science Research Council and of the Institute for New Economic Thinking. In September 2012 he was granted the honorary honour of Commander of the Order of the British Empire (CBE) by HM the Queen 'for services to education in support of Cambridge University and to UK/US relations'.