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BOOK REVIEWS

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Yasuyuki Motoyama. (2019) *From Innovation to Entrepreneurship: Connectivity-based Regional Development.* Edward Elgar: Cheltenham, UK and Northampton, MA, USA. 9781789901979, 176 pp., $110 (hardcover).

Reviewed by *Joshua C. Hall*, West Virginia University

This is a brief volume on the nature of entrepreneurship, what we know about entrepreneurship, and how our knowledge about entrepreneurship should inform policies and programs designed to foster entrepreneurship. Motoyama, an Assistant Professor of City and Regional Planning at Ohio State University, worked as Director of Research and Policy for the Ewing Marion Kauffman Foundation in Kansas City for six years prior to returning to the academy. His background is important because it helps to explain why the book draws so much from the experience of Kansas City and St. Louis. This is a welcome break from the usual focus on Silicon Valley and Route 128 seen too often in the literature.

After an introductory chapter, Motoyama provides an overview of the theories of innovation and entrepreneurship that exist in the scholarly literature. The purpose of this chapter, in my opinion, is to make the case for a focus on entrepreneurship, not innovation. Therefore, Motoyama begins by noting that the innovation literature is highly skewed towards high-technology sectors. This skewness is problematic because many measures of innovation have serious limitations. Using patents as a measure of innovation, for example, ignores business innovations for which patenting is not possible. Even for sectors where patents are an important part of innovation, such as the pharmaceutical industry, patents are problematic as an output measure because many patents have zero economic value. It is not that innovation is inconsequential but rather that we know very little about the black box of innovation. Motoyama concludes Chapter 2 by making the case for entrepreneurship as what we should be measuring. Entrepreneurs are crucial to the innovation process because they are the ones who have the vision to combine inputs in a way that creates value. Pages 22-25 discuss regional factors associated with high rates of entrepreneurship. This part of the book could have benefitted from a discussion of the literature on institutions and entrepreneurship (Sobel, 2008; Gohmann et al., 2008; Boudreaux & Nikolaev, 2019) as institutions vary over space, and much of this literature could inform the policy discussion in the final chapter of the book. For example, Sobel et al. (2007) provide some empirical

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evidence that business failures are necessary to business success because failures are a sign of a robust entrepreneurial ecosystem.

The focus of Chapter 3 is taking a '30,000 foot' view of what correlates with entrepreneurship at the metropolitan level. Motoyama borrows from the knowledge spillover literature in selecting independent variables for his empirical analysis. He uses three different dependent variables: new firm creation in all industries, new firm creation in high tech industries, and the growth in high growth firms. Using a cross-section of 366 metropolitan areas, he finds consistent statistical significance primarily with population-related variables, presumably from agglomeration in large cities. The results for the other covariates are analyzed and interpreted with the takeaway being that patents, financing, and universities are generally not associated with entrepreneurship at the metro level. Most social scientists studying entrepreneurship will not be convinced by the empirical work in this chapter due to the cross-sectional nature of the analysis. Even in cases where data are limiting to a cross-section, analyses should control for spatial autocorrelation and institutional differences across MSAs (Bologna, 2014).

Chapters 4 and 5 are case studies of entrepreneurship in Kansas City and St. Louis, respectively. Before proceeding, it is important to note that some of the sections of the book are co-authored, even though the book is solo-authored. For example, Section 4.2 is co-authored with geographer Heike Mayer. Hence, where relevant, I will use both authors' names. In Kansas City, Motoyama and Mayer surveyed high-tech firms to obtain their views regarding what was important for entrepreneurial growth. The answers point to having "informal local access to innovative people, ideas" as being extremely important. Items related to research universities were at the bottom of the list. Later in Chapter 4, Motoyama and two co-authors (Arnobio Morelix and Colin Tomkins-Bergh) report on interviews with entrepreneurs who are part of an event called 1 Million Cups (1MC). This weekly event brings together local entrepreneurs to gain feedback on business ideas. Through their interviews of 1MC participants, Motoyama and his co-authors find that the value of the event is facilitating local connections and peer learning.

This is essentially the takeaway from Chapter 5 as well. In this chapter, Motoyama and his co-author Karren Knowlton study the Arch Grants program in St. Louis. This program provided $50,000 in equity-free funding for startup companies as well as pro-bono accounting and legal services. Through structured interviews with Arch Grant recipients, Motoyama and Knowlton find that the ability to learn from each other was of high importance for many Arch Grant recipients. Having so many start-ups at the same stage of development facilitated peer learning and support, even when they were not in the same sector. Chapter 5 also includes the results of interviews of high-growth firms in St. Louis. The findings from these interviews are straightforward: growth was primarily based on finding a market niche, recognizing the need to pivot when the market demanded it, the importance of business mentors, a deep local talent pool, and the importance of bootstrapping when it came to finance. This chapter highlights a benefit from more case studies outside Silicon Valley, as the experiences of these entrepreneurs are very different than those in areas focused on finding venture capital financing.

Chapter 6 looks at the Twitter accounts of entrepreneurs in Kansas City and St. Louis as a different way of analyzing the entrepreneurial system in an area. Motoyama finds that the entrepreneurial systems in Kansas City and St. Louis are very local. Entrepreneurs primarily follow organizations and other entrepreneurs in their own cities, but not in other cities or national organizations.

The book concludes with Chapter 7, which is organized around findings from the book for individuals and regions. Many of the findings, such as the importance of learning and ongoing development for entrepreneurs, have already been discussed in this review. Motoyama then compares the findings from his research to current practice and policy. He notes that much of current practice and policy is based on a linear model of development where we know the recipe at each stage of innovation or entrepreneurship. For example, we start with basic research, then we get applied research, and then product development. Policy based on the linear model would therefore suggest funding basic research and development. Motoyama argues that this is wrong because R&D to innovation is not a linear process. Instead, entrepreneurs discover a market niche to serve and assemble the capabilities as well as resources necessary to bring the product or service to market. Practice and policy should therefore focus on creating an entrepreneurial ecosystem that connects entrepreneurs so that the costs of learning from one another are reduced. A number of other recommendations are also made.

From Innovation to Entrepreneurship is an interesting book by a scholar who has been on the frontlines of practical entrepreneurship research for several years. I found the surveys and interviews with entrepreneurs in Kansas City and St. Louis to be the best part of the book. By focusing on two cities outside the coasts, Motoyama has brought new insights to our understanding of entrepreneurial ecosystems. Interviews and surveys can explore the process of entrepreneurship in a way that focusing on outcomes cannot. For example, a key argument of the book is that learning from mentors and peers is important to entrepreneurial ideas becoming reality. While that argument needs further empirical testing, it would not have been highlighted if not for the efforts of Motoyama and his co-authors in Chapters 4 and 5.

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Thomas Philippon. (2019) *The Great Reversal: How America Gave Up on Free Markets.* Belknap Press of Harvard University Press: Cambridge, MA, USA and London, UK. ISBN: 978-0-674-23754-4, 368 pp., $29.95 (hardcover).

Reviewed by *Amitrajeet A. Batabyal*, Rochester Institute of Technology

A very prosaic but pertinent question led to the writing of this book. Philippon wanted to know why cell phone plans in the United States (US) are so expensive. In the process of answering this question, he set about researching many interesting aspects of the functioning of telecommunications and other markets in the US and in Europe. On the basis of this research, Philippon makes three central points in this book. First, competition has diminished in most sectors of the US economy. Second, this lack of competition "is explained largely by policy choices, influenced by lobbying and campaign finance contributions" (p. 9). Finally, and perhaps most importantly, the results of a lack of competition are "lower wages, lower investment, lower productivity, lower growth, and more inequality" (p. 10).

Philippon uses the fifteen chapters in this book to flesh out the details of the above three points. In what follows, rather than provide a tedious chapter-by-chapter review, I shall sample selectively from this book's contents. This should provide the reader with an adequate flavor for the intellectual contributions of the book.

Philippon commences the proceedings by explaining why economists like the idea of competition within nations. As he rightly explains, it is sometimes difficult to make an affirmative case for competition because those who win from competitive markets are widely dispersed throughout society. In contrast, those who lose tend to be concentrated. This simple fact explains why we see "a lot of lobbying aimed at restricting competition and little advocacy to protect it" (p. 24). He then points out that even though the standard tools used by economists to study the extent to which a market is competitive—market shares, concentration, profits, and prices—make sense, "none of them [are] perfect" (p. 44). Why not? Focusing solely on the concentration tool, we learn that even though this tool raises legitimate questions about market power, concentration can also reflect the increasing efficiency of the market leaders.

Why have investment and productivity in the US declined since 2000? While answering this query, Philippon contends that "the firms' investment decisions offer clues about the driving forces behind rising concentration and profits" (p. 62). He then clarifies that the pattern of investment and productivity growth that we see in the data is inconsistent with the hypothesis that maintains that this pattern exists because of the rise of superstar firms. In this regard, we gather that because the leaders in increasingly concentrated industries do not feel the need to invest but choose instead to raise payouts to shareholders, "productivity growth [has been] lackluster" (p. 79).

Next, Philippon compares the working of markets in the US and in Europe since 2000. A key point made by him is that even though Europe uses the same technology as the US in a broad sense, the "rise in profits, the rise in concentration, and the decline in the labor share are... phenomena specific to the US" (p. 109). This means that if we are to explain why this state of affairs has come about, we need to examine policy differences on either side of the Atlantic Ocean. Such an examination reveals that, relative to Europe, the markedly greater concentration levels in US industries are the result of "different policy choices in terms of regulations, barriers to entry, and antitrust" (p. 123).

Further comparing the United States with Europe, Philippon looks at lobbying and the nexuses between money and politics. With regard to lobbying, we learn three useful facts. First, within the category of interest groups, corporations and trade associations engage in the vast majority of lobbying expenditures. Second, whereas small interest groups are more likely to lobby using trade associations, large corporations are more likely to lobby independently than are smaller groups. Finally, large "firms in the US spend a lot more on lobbying than large firms in the [European Union], and this explains the large differences that we observe in the aggregate" (p. 170).

With regard to the connections between money and politics, Philippon credibly claims that even though money influences politics everywhere, compared to Europe, what really sets the US apart is the amount of money that is involved in politics. In addition, in the US, "companies strategically use campaign finance contributions across states to shield themselves from future enforcement cases" (p. 197).

In the final—and most interesting—part of this book, Philippon analyzes how a lack of competition, barriers to entry, and lobbying have affected specific industries within the United States. For instance, we learn that even though there are new and valuable things in finance, all too frequently, "what is valuable is not new, and what is new is not valuable" (p. 222). Although there is some reason to believe that this unenviable state of affairs may be changing, if we are to truly benefit from better technology in finance, then it will be necessary to put in place financial regulators who are able to stand up to the lobbies.

Numerous people believe that high tech companies such as Google, Amazon, Facebook, Apple, and Microsoft are not only the stars of the internet economy but that they also play a disproportionately positive role in our economy, and hence, they ought to be treated differently, perhaps even specially, by our regulators. Is there any merit to this perspective? Philippon's careful analysis with data leads to three interesting findings. First, we learn that even though these stars have extremely high profit margins, this was also true of stars in the past. Second, when the productivity of these stars increases, this increase has a lesser impact on the overall economy relative to the impact that a firm like General Motors once had. Finally, the "notion that the biggest tech firms are somehow the pillars of the US economy is false on its face" (p. 256).

Let me conclude this review with the following three observations. First, Philippon makes a small number of puzzling claims about matters such as the number of ways in which an economy can grow (p. 13) and the price elasticity of demand (p. 26). Second, he also says very little about how he would craft policy to address and hopefully correct the many problems about the functioning of the US economy that he identifies. Finally, the preceding two points notwithstanding, this is an excellent book that lucidly diagnoses many of the ills afflicting the US economy today. As such, this should be of great interest to all readers who wish to learn more about why the US is now playing second fiddle to Europe as far as the promotion of competitive markets is concerned.

Darrell M. West. (2018) *The Future of Work: Robots, AI, and Automation.* The Brookings Institution, Washington DC. ISBN: 0815732937, 219 pp., $29.57 (hardcover)

Reviewed by *Rolando Santos*, Lakeland Community College

The purpose of this book is to explore the impact of emerging technologies on work, education, politics, and public policy. If companies need fewer workers as a result of automation and robotics but most societal benefits are delivered through full-time jobs, how are people outside the workforce for a lengthy period of time going to receive income, health care, and retirement pensions? In this situation, it is important to rethink work and move toward lifetime learning so that people are trained for a world of dislocation. There are reforms in the social contract that would ease the transition difficulties, but it is not clear that the US political system is up to the task of adopting relevant policies. If leaders don't make the right choices, developed nations could end up facing serious economic and political disruptions.

Chapter 1 looks at the growing use of robots. These devices are increasing in sophistication and dropping in price. In the process, they are transforming commerce and ushering in new business. The reality of a large workforce with full-time jobs and benefits is giving way to an economy based on temporary employees, partial or no benefits, and widespread automation.

Chapter 2 reviews advances in AI, machine learning, facial recognition, driverless cars, drones and virtual reality. Rather than requiring human intervention, improvements in software design make it possible to perform complex tasks using sophisticated algorithms. The result is an increase in economic activity but limited full-time opportunities other than those for workers such as coders, computer experts, designers, and data scientists. These innovations are changing the way companies operate and altering the relationship between managers and employees.

Chapter 3 explores the growing reliance on sensors and the emerging networks known as Internet of Things. Digital devices are spreading in numbers and enabling important advances in finance, healthcare, transportation, public safety, and resource management. With the coming 5G network, homes and businesses will be connected through high-speed broadband, and this will make possible a dramatic expansion of digital services that will transform commerce and communications.

Chapter 4 argues that in a time of accelerating technology, we need to consider the ramifications for the labor force and rethink the concept of work itself. In considering the future, we must broaden the notion of employment to include volunteering, parenting, and mentoring, and we must also pay greater attention to leisure-time activities. New forms of identity will be possible when the "job" no longer defines people's personal meaning and those in the workforce have time to engage in hobbies, personal interests, and community projects.

Chapter 5 examines the need for a new social contract and the implications of changing employment for income provision, health care benefits, and retirement support. Right now, many social benefits are tied to jobs, which limits the benefits to those who are fully employed. However, as the business model changes, more people will find themselves underemployed or in positions that don't provide benefits. In this situation, social benefits will need to become portable and flexible as workers move in and out of jobs. Unless there are innovative service delivery models, there may arise a large and permanent underclass that does not receive job benefits and is trapped in poverty.

Chapter 6 calls for lifetime education to help workers and employers better deal with digital disruptions. The world is experiencing an extraordinary period of large-scale change driven by technology innovation and changing business models. Outsourcing has become prevalent, and the emerging economy necessitates education and training programs throughout adulthood. People will need to acquire additional skills in order to remain competitive in the twenty-first century economy.

In conclusion, a major challenge in the current environment is how to generate a societal consensus around needed workforce and policy changes. If recent trends continue, it is possible that digital technologies and emerging business models will threaten existing practices of income provision, health benefits provision, and retirement support. The author suggested major economic and political reforms. These include enacting paid family and medical leave, expanding earned income tax credit, passing universal voting, reducing political polarization, abolishing the Electoral College, and adopting a solidarity tax to fund needed social programs.

Mustafa Dinc. (2015) *Introduction to Regional Economic Development: Major Theories and Basic Analytical Tools*, Northampton, Massachusetts: Edward Elgar. 208+xi. ISBN: 9781785361340. $120.00.

Reviewed by *Brian W. Sloboda*, University of Phoenix

This compact book provides an introduction to regional science that will greatly benefit the readers. Dinc discusses a new and dynamic endogenous regional development approach that explores a variety of topics that are often used in the toolkit of regional scientists. This book is composed of nine chapters with several appendices to provide additional tools for support of the analytical tools presented in chapter 7.

The first four chapters cover the globalization process and its impact on local and regional economies; theoretical evolution of economic development; the role of governance; and institutions and local leadership in the development process. He provides an overview of current thinking in each of these chapters, and Dinc provides the necessary ingredients for conducting successful analysis in regional science. As written, Dinc largely leans toward the endogenous development school of thought with a focus on local actors and capacities. Also, he cites evolutionary economics (e.g., Ron Martin and other theorists) that provide a foundation to study the development of regions. The drawback of these chapters is that his approach in these chapters tends to the synoptic that would lead to the generalization of the discussion of these concepts of regional science. That is, these generalizations as he presented do not provide concrete examples of concepts that can be applied to regional science. Consequently, the readers are left somewhat of void in these first four chapters.

Dinc then introduces the familiar models and theories in regional science in chapters 5 and 6. A nice feature of this book is that he provides a look at the great classics of location theory which are foundational to regional science. These theories include Von Thunen's rings, Weber's triangle, Hotelling's location model, Christaller's central place theory, Perroux's growth pole theory, economic base theory, cumulative causation, and product life cycles. Then, in chapter 6, Dinc reviews the industrial cluster and agglomeration concepts and discusses their main characteristics, types, dimensions, and life cycle. More specifically, the concept of industrial clusters and agglomeration economies has become one of the most prevalent concepts in local and regional development research and practice. However, the cluster concept is not new and can be traced back to the early location theories. Readers who need a review or introduction to these theories in regional sciences will find these chapters succinct and serve as a helpful overview on these foundational topics of regional science.

Chapter 7, Traditional Methods for Local and Regional Economic Analysis, is the most substantive chapter in this book because it provides methods and statistical modeling. In this chapter, he delves into the basic principles of shift-share analysis, location quotients, economic base analysis, input-output accounts, and the use of multiple regression techniques in the calculations for economic base. He does not just present the method but uses artificial data to illustrate the use of each of these methods. At the close of this chapter, he delves into the Data Envelopment Analysis (DEA), which allows for the integration of multiple data inputs into DMUs (Decision Making Units). Also, this allows for comparisons of the measures of technical efficiency by determining the distance of each DMU from the nonparametric production frontier using linear programming techniques. He provides a nice introduction to DEA, so the readers will be able to obtain a good understanding of DEA and how it can be applied in regional research.

In chapter 8, A Regional Decision Support System, Dinc presents an Analytic Hierarchy Process (AHP) model which structures the decision process using a multilevel hierarchy plus integrating the information developed in the DEA data framework as he presented in chapter 7. The method asks the decision-maker to provide ratio scale comparisons between objectives and then calculates a vector of weights implied by these comparisons while allowing the analyst to prioritize the outcomes. It looks like an interesting approach to apply to solve regional science research questions. To be upfront, I am not wholly familiar with this approach.

Chapter 9 provides concluding remarks for this book.

Another advantage of this book is its discussion of basic analytical tools presented in chapter 7 and the inclusion of a template in an easy-to-use MS Excel® spreadsheet application for each of these tools. After entering the required data, the empirical results will take a few minutes to complete. To help facilitate the use of these templates, a user guide is provided in Annex 1 (Appendix 1), while Annex 2 (Appendix 2) provides two extensions of shift-share analysis as discussed in chapter 7. Though the book follows a logical narrative, each chapter can be read individually without reading each chapter in some subsequent order. This makes it perfect for use in regional science courses that may only emphasize certain methods.

The main strength of this book is the presentation of the techniques, models, and methods that are used in regional science. On the other hand, Dinc has chosen to stay at a general level of analysis and did not descend into the intricate details of the difficulties regional science analysis. On the other hand, there was a range of applicability of all these approaches, but the author used simulated data to illustrate these approaches. *Introduction to Regional Economic Development: Major Theories and Basic Analytical Tools* will be an invaluable resource for students and practitioners of regional science, regional development, and planning, as well as regional and local development practitioners, regional development agency staff, and local government officials.