

**University of Pennsylvania
The Wharton School
BEPP 203
Fall 2016**

BUSINESS IN THE GLOBAL POLITICAL ENVIRONMENT

Prof. Ayse Kaya

Section/Location

BEPP 203-001, Tues/Thur 12:00 p.m. to 1:30 p.m., Classroom: SHDH 107
BEPP 203-002, Tues/Thur 1:30 p.m. to 3:00 p.m., Classroom: SHDH 107

Contact Information

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Description

The environment of business has market and nonmarket components. This course will focus on various dimensions of the nonmarket environment, which is characterized by the broader political, regulatory, legal and societal contexts in which companies function. In contrast, the market environment focuses on the economics of an industry and a firm's position in it. The course will pay particular attention to market failures and how economic policy attempts to respond to these failures. Furthermore, given the differences in non-market contexts across countries, the course will take a global focus.

The course is divided into three parts: the first section focuses on key concepts, such as market failure, moral hazard, asymmetries in information, as well as main theories of economic policy. The second section examines the politics of economic policy, including lobbying, revolving doors, interest groups, and median voter theorem. This section also focuses on behavioral economics and its implications for policy. It additionally pays attention to "varieties of capitalism" across the world with a view to understanding the different institutional contexts within which business functions. The third part of the course discusses key, contemporary issues again with a global focus. The topics in this section include: international trade, foreign direct investment and multinational corporations, environmental issues, corruption, microfinance, and economic inequality.

Reading Material

The course packet will be available at Study.Net or can be printed by Wharton Reprographics for a fee; alternatively, all of the journal articles are also available online for free (you can access the articles on campus or through Penn VPN). Viscusi, Harrington, and Vernon: *Economics of Regulation and Antitrust*, 4th Edition, MIT Press, 2005. (“VHV” below) and Baron, David: *Business and Its Environment*, Prentice Hall, 2013. (“Baron” below).

There will also be optional readings, drawn from a range of sources. These optional readings are listed as “suggested” in the reading list below. Additional material such as PowerPoint slides from the lectures will be posted on Canvas the day of the lecture. The slides prepared for this class will be for the consumption of only this class—please do not circulate, duplicate, or replicate.

For definitions of basic economic concepts, the student can consult the following website:
<http://www.economist.com/economics-a-to-z>

Grades and Assignments

First Exam	30%
Writing Assignment	5%
Team Presentation	20%
Second Exam	35%
Class Participation (Cases, Q&A, Peer Feedback)	10%

Writing Assignment

There is a mandatory writing assignment for this course (maximum of 500 words). The purpose of this assignment is to give you practice in making analytical arguments in a clear and succinct manner; this is an attempt to give Wharton undergraduates more writing experience. The schedule below indicates the due date for the assignment, and the question for this assignment is already included in this syllabus (see the end). No credit will be given for late assignments. Requests for re-grades of writing assignments must be submitted in writing within one week of the date that the assignments are handed back.

First and Second Exam

There are two closed book exams. The dates of these exams are indicated below in the syllabus. All sessions prior to the exam date are subject to examination.

If a student misses the first exam, due to medical or non-medical reasons, their second exam score will be doubled. If a student misses the second exam due to medical or non-medical reasons, they will take the second exam in the following semester.

Students will be given a period of one week from the date that the exam is made available to request a re-grade. The BEPP Department maintains a photocopy of all exams. All requests must be made as a message send on Canvas to Professor Kaya stating the specific reasons for the re-grade (i.e. specific questions, and why they believe answer was graded incorrectly) no later than the close of business on the day which is one week after the exam is made available. Re-grades will be returned to the student as soon as available. Note that the entire exam will be reviewed during a re-grade, not only the questions/answers requested, and a re-grade may be higher or lower than the original grade. We have established this re-grade procedure to ensure fairness for all students. The professors will not discuss specific exam questions until the re-grade period is over.

Code of Academic Integrity

All students enrolled in courses in the Business Economics and Public Policy Department are expected to comply with the University of Pennsylvania's Code of Academic Integrity. We encourage all students to read the Code so that they are well aware of all situations that would be considered a violation.

It is the policy of the Department of Business Economics and Public Policy to immediately fail any student who is to be in violation of the Code. Cheating, in any manner, on a graded assignment, exam, or the presentation will result in failing both the assignment/exam and the course. In addition to the sanctions imposed by the Department of Business Economics and Public Policy, the Office of Student Conduct may impose additional sanctions.

Please review the Code of Academic Integrity on the below link as well as example of violations and possible sanctions: <http://provost.upenn.edu/policies/pennbook/2013/02/13/code-of-academic-integrity>

Class Participation

You are expected to come to class prepared. The required readings should be completed before class, and you should be ready to discuss the concepts and the details of the cases when you arrive. Having the readings with you in class may help you make your points and draw others' attention to key passages.

The instructor may cold-call and solicit classroom comments. Successful participation in class and in your presentation group will reflect positively on your class participation grade, as will regular attendance and on-time arrival. Submission of student presentation peer feedback forms will also reflect on your class participation grade.

Participation in class will enhance your overall performance.

The Questions included below with each session's reading assignments intend to prepare you for your class participation. While they are by no means the only questions you should contemplate, having answers to at least those questions will allow you to more effectively and actively engage with the texts.

If you are going to miss class for a medical or non-medical reason please do not contact the Professor directly, but instead use the official Course Absence Report system through the UPenn Registrar. You are discouraged from attending a section other than your official section. If you

choose to do so, this may reflect negatively on your class participation score (even if you have sent notification that you will be attending another section).

Support Functions

BEPP's support staff (bpub@wharton.upenn.edu) will keep a wait-list, if needed, at the beginning of the semester. Please include 'BEPP 203 Wait List' as the subject of any e-mail regarding this. Beth Moskat (emoskat@wharton.upenn.edu) will provide classroom support.

Team Presentations

Overview: Students will be in teams of about 4-5 students per team, depending on class size. Presentations should explore and communicate your research on the topic as it relates to economic concepts from relevant sessions in this course. (The instructor may need to adjust the number of presentations once class size is finalized.)

Presentation topics are listed below (see "student presentation"). Under each topic, there is a single suggested reading, which is intended to get you started on your research for the presentation.

Format: You are (essentially) free to choose the format of your presentation. It is acceptable to use a straight-forward Power Point presentation, but you are encouraged to consider other formats, such as:

- A media press interview or game show
- A congressional or regulatory hearing enactment (real or imagined)
- An internal business strategy deliberation among a firm's decision-makers and advisors

You should try to be creative in choosing the format that best communicates the substantive issues involved and how they relate to the topics of BEPP 203. Presentations that emphasize analytical thinking (by you, the firms involved, the policy-makers, opponents to a policy change, etc) are better than factual summaries of the issue. Make sure to clearly explain any concepts you use in your presentation, including those that may already be covered in this course. Do not include videos produced by other organizations (it is fine to include videos produced by your presentation group). We encourage you to integrate insights from other Wharton classes, research, reports, etc. but your slides should be your own work and you should cite all sources you use. Try to make it engaging and keep it professional.

Each group presentation should not run for more than thirty-five minutes in total. This includes both time for the presentation and audience participation through either a Q&A session or other means.

You should take advantage of your team assistant (TA). The TA is there to provide feedback at both the formulation phase and the rehearsal phase. Ideally, you should rehearse, reformulate, and rehearse again in the last few days before your presentation.

Citations: You are allowed to use figures, graphs, etc. from existing research but you should put a citation on the slide whenever you use such materials to indicate attribution. You should also include a works cited at the end of the presentation.

Hand in: Team participants must hand in a print out of the complete PowerPoint slides to Prof. Kaya at the beginning of class *on the day of the presentation*, and the slides must also be submitted by email (cc'ing all teammates) by the start of class.

The slides prepared for this presentation will only be for the consumption of this class—please do not circulate, duplicate, or replicate without all presenters' explicit written permission.

Presentation Feedback Form: In order to have consistent benchmarks for evaluation, a presentation feedback form has been prepared and attached to the end of this syllabus. The Instructors and the students will all use this form. This form also allows you to see what kind of issues you should be paying attention to in preparing your presentation.

Topics, Dates, and Sign-up Logistics: Team group assignments are handled through Canvas. Presentation sign up will be announced in class and electronically. *Please note the following:*

- You must sign up individually (Canvas requires this). You will be notified when sign-up will be available.
- Assignment topic/date options will be available on a **first-come, first choice basis**.
- Students not signed up by the presentation sign-up deadline will be randomly assigned to one of the remaining groups.
- No student will be permitted to change groups after the presentation sign-up deadline. There are no exceptions to this policy (this is to maintain fairness to all students who might want to switch after the deadline and the difficulties in re-organizing groups).

Grades: The professor will grade each team project, using as a guide the feedback of your fellow students, as well as instructor judgment about the relevance of student use of concepts and comparison to relevant cases. Each team project will receive one group grade, meaning all students in the team will receive the same grade. Students who fail to participate fully in team presentations will lose credit on their class participation grade.

Non-Wharton Students

To access Canvas, non-Wharton students must first apply for a Wharton Computing account. This can be done online at <http://accounts.wharton.upenn.edu> for students that are already officially registered for the class. If there is any difficulty with doing this online, go to WCIT (F-35 JMH), and apply there.

Tutoring Support

Students experiencing difficulty in this course should seek assistance from the Penn Tutoring Resource Center. Refer to the Wharton Undergraduate homepage for the schedule of walk-in tutoring hours. Private tutors from the Tutoring Center can be obtained (without cost) through the recommendation of a professor or professional advisor in the Undergraduate Division. Students who wish to inquire more about tutoring, study skills, learning disabilities, test-taking strategies, time management, or reading/writing coaching should call 215-573-9235 for more information.

Course Outline and Schedule (session dates are indicated in parentheses)

Part I: Overview: Big Questions, Key Concepts

Introduction (08/30)

- Understanding the Non-Market Environment: VHV Ch 1 pages 1-11.
- Example: “Google In China: Searching Questions”, *the Economist*, online edition, March 22, 2010. Link: <http://www.economist.com/node/15760510>

Questions:

1. Indicate three ways in which the non-market environment matters for businesses.
2. Outline how the Google in China case relates to the VHV discussions.
3. If you were to be hired as a consultant by a multinational, what is some advice you would give them regarding their non-market environment?

Relationship between Market and Non-Market Environments: *Market/Government Failure* (09/01)

Because of the significance of 2008 crisis (for the course as well as for the world), it will be a recurring theme. This session’s class lecture will discuss the crisis, but you can also consult Baron 291-303 (not required).
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- VHV, “The Theory of Regulation”, pp.375-383 (until “Predicting the Type of Industry.”).
- Stiglitz, J. 2009. “Regulation and Failure.” *New Perspectives on Regulation*. The Tobin Project. Chapter 1.

Available here: <http://www.tobinproject.org/books-papers/new-perspectives-regulation>

Supplementary: Baron, pp.271-277.

Questions:

1. What are the different kinds of “market failure”s that Stiglitz emphasizes?
2. What are some possible “government failures”?
3. How applicable do you think the theories of regulation introduced by VHV are to global business?

Why Government Intervention? *Asymmetric Information and Adverse Selection* (09/06)

- Akerlof, George: "The Market for Lemons: Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, Vol. 84, No. 3 (Aug., 1970), pp. 488-500.

- Frank, Robert H. “For Obamacare to Work, Everyone Must be In.” *The New York Times*, August 3, 2013. <http://www.nytimes.com/2013/08/04/business/for-obamacare-to-work-everyone-must-be-in.html>

Questions:

1. List three ways in which Akerlof’s article is critical to understanding business-government relations.
2. What are other issue areas can you think of that are particularly conducive to asymmetric information?

Government Intervention & Moral Hazard (09/08)

- S.Johnson and J.Kwak. 2009. “Lehman Brothers and the Persistence of Moral Hazard.” *The Washington Post*, September 15. Available here: http://www.washingtonpost.com/wp-dyn/content/article/2009/09/15/AR2009091500943_pf.html
- Allen, Franklin et al 2015. “Moral Hazard and Government Guarantees in the Banking Industry” *Journal of Financial Regulation* 1(1): 30-50. (no need to read past page 46).

Questions:

1. According to Johnson and Kwak, what are the different types of moral hazard that contributed to the outbreak of the 2008 global financial crisis?
2. According to Allen et al, what are different proposals to deal with the potential moral hazard in government guarantees? Which of these proposals seems more viable to you?
3. What are the different kinds of guarantees mentioned in the Allen et al reading?
4. If government intervention will create moral hazard in certain situations, why should we consider such intervention at all?

Globalization and Regulation (09/13)

- Ghemawat, Pankaj. 2001. “Distance Still Matters: The Hard Reality Of Global Expansion”. *Harvard Business Review*, September 1.
- Lund, Susan, James Manyika, and Jacques Bughin. 2016. “Globalization is Becoming More about Data and Less about Stuff.” *Harvard Business Review*. March 14.
- Taylor, Alan. 2010. “Global Finance After the Crisis.” *Bank of England Quarterly Bulletin*. <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb100411.pdf>

Questions:

1. What are the major characteristics of the first phase of globalization (pre-World War I) versus the second phase of globalization (post-WWII)?
2. List three main points Taylor makes about the globalization of capital.
3. What is the implication of the Lund et al article for business?
4. List three points that emerge from these readings regarding the challenges states face in regulating globally mobile business.

Part II: Politics and Business

Median Voter Theorem_(09/15)

- Cowen, Tyler. 2010. “Why Politics is Stuck in the Middle.” *The New York Times*, Feb. 6, 2010. <http://www.nytimes.com/2010/02/07/business/economy/07view.html>
- Congleton, Roger. 2003. Median Voter Theorem. In *The Encyclopedia of Public Choice*, C. K. Rowley and F. Schneider, Ed.s Kluwer Academic Press.
Available here: <http://rdc1.net/forthcoming/MEDIANVT.pdf>
- “Where Jobs are Squeezed by Chinese Trade, Voters Seek Extremes.” *The New York Times*, April 26, 2016. <http://www.nytimes.com/2016/04/26/business/economy/where-jobs-are-squeezed-by-chinese-trade-voters-seek-extremes.html>

Questions:

1. What is the primary implication of the MVT for governmental regulation and policy?
2. Based on this week’s readings, will the two Presidential candidates alter their positions during their non-primary campaigns?
3. What are the weaknesses of the MVT?

Lobbying (09/20)

- *The Economist*. 2015. “The Washington Wishing Well”, June 13.
Available here: <http://www.economist.com/news/business/21654067-unstoppable-rise-lobbying-american-business-bad-business-itself-washington>
- Bertrand, M., M. Bombardini, F. Trebbi. 2014. “Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process” *American Economic Review* 104(12): 3885-3920 – Read only until 3914 and focus on understanding the main points.

Questions:

1. Based on Bertrand et al’s findings (later, you should add lecture discussions also), how does lobbying affect the non-market environment?
2. Imagine yourself as the CEO of a company that would like the US government to enact legislation favorable to your company (what ever that legislation may be), how do you go about it?
3. What are the ethical implications of what you have just read?

Writing Assignment Due on 09/23 by 6pm, submitted on Canvas. Writing Assignment Question is attached to the back of this syllabus.

Insights from Behavioral Economics into Government Interventions (09/22)

- Thaler, Richard and Cass Sunstein: *Nudge*. Chapters 4 and 5.

(suggested) Genesove, David, and Christopher Mayer. 2001. "Loss Aversion and Seller Behavior: Evidence from the Housing Market." *Quarterly Journal of Economics*, 116(4), 1233-1260.

Questions:

1. Does behavioral economics suggest that we should stop modelling human behavior as rational?
2. What are the strengths and drawbacks of public policy centered around nudges?
3. Can you think of some issue areas not mentioned in the two chapters you read where behavioral economics could be useful?

National Differences in Business-Government Relations I: Advanced Economies (09/27)

- Trumbull, G. and L. Gay. 2004. "Walmart in Europe." Harvard Business School Case Study. 9-704-027. [Walmart ends up leaving Germany in 2006.]
- Hall, Peter A. and David Soskice. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press. Introduction.

Questions:

1. What were the main factors that led to Walmart's failure in Germany?
2. What are "institutional complementarities" and what do they suggest about reform of distinct, national political economic systems?
3. How does globalization affect differences in national political-economic systems? Should we expect to see convergence in policy and institutional make-up across different countries due to globalization?

National Differences in Business-Government Relations II: Developing Economies (09/29)

- Remington, Thomas. *Forthcoming*. "Regional Variation in Business-Government Relations in Russia and China," *Problems of Post-Communism*. Available through the author's website: <http://polisci.emory.edu/home/documents/papers/variation-business-government-%20russia-china.pdf>
- Kirk, Donald. 2015. "Putting a Stop to South Korea's Family Empires". *Wall Street Journal*, August 10. <http://www.wsj.com/articles/putting-a-stop-to-south-koreas-family-empires-1439229055>

Questions:

1. According to Remington's piece, list three factors that help explain China's spectacular economic growth (until recently)?
2. Note down three methodological points from Remington's piece (e.g., what are some of the measurements he uses and why? Why are some methodological weaknesses acknowledged?)
3. Identify the importance of "path dependence" in these pieces – i.e. decisions taken at a prior time affecting current decisions/policy.
4. Can you think of why chaebols were critical to S.Korean growth early in the post-war period?

Review for First Exam. 10/04

Please send Prof. Kaya any questions you wish her to review during this session by October 1, Saturday, 6pm. She will selectively go over the most important questions, if there are too many to accommodate in a single session. The first exam will cover all topics prior to October Break.

No class on 10/06 due to October Break.

First Exam in Class on 10/11.

Part III: KEY, CONTEMPORARY ISSUES

Property Rights & Corruption (10/13)

- De Soto, Hernando, 2000. *The Mystery of Capital*, Chapters 1-2.
- Svensson, Jakob. 2005. "Eight Questions about Corruption." *Journal of Economic Perspectives* 19(3): 19-42.

- (1) Student Presentation:** If private property rights (ppr) are so crucial for economic growth, what explains China's impressive growth without Western-like ppr in place? (You should provide a background to decollectivization in China and household responsibility system.) *Suggested reading:* Dani Rodrik's *One Economics, Many Recipes*, Princeton University Press, 2009.

International Trade (10/18)

- Baron, pp. 519-531.

- Bown, Chad P. and Meredith Crowley. 2016. "Today's trade policy and trade research." www.voxeu.org, June 5. Available here: <http://www.voxeu.org/article/today-s-trade-policy-and-trade-research>

Questions:

1. How has international trade changed qualitatively and quantitatively in the post-war period?
2. What is a policy implication from the Bown and Crowley piece?
3. Why is understanding the WTO essential to explaining "business in the global political environment"?
4. The lecture will discuss the rise of bilateral and regional trade agreements. How do these affect businesses?

WTO Trade Disputes (10/20)

On this day, through two student presentations, we will examine some key WTO disputes with a view to discussing their relevance not just for the global political economy, but also for the themes of this course.

- (2) Student Presentation, dispute 1:** US-EU (European Committee/Union) disputes at the World Trade Organization on Genetically Modified Organisms (GMOs). *Suggested Background:* Mark A. Pollack and Gregory C. Shaffer. *When Cooperation Fails: The Global Law and Politics of Genetically Modified Organisms* (New York: Oxford University Press, 2009).

- (3) Student Presentation, dispute 2:** US-China solar panel disputes. *Suggested Background:*

https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds437_e.htm

MNCs and Foreign Direct Investment I (10/25)

- Tarzi, Shah. 1991. "Third World Governments and Multinational Corporations: Dynamics of Host's Bargaining Power." *International Relations* 10(3): 237-249.
- Simmons Beth A. 2014. "Bargaining over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment." *World Politics* 66 (1) :12-46. [Read only until

Questions:

1. What is the "obsolescing bargain", and how does it help us understand MNCs and host countries?
2. What explains the rise of BITs (bilateral investment treaties)? And if you were a policy-maker, would you perpetuate their proliferation?
3. Do BITs enhance investment flows?

4. What are the non-economic factors MNCs consider in making an investment? (Lecture will clarify this, but it is implicitly discussed in both readings).

MNCs and Foreign Direct Investment II (10/27)

In this session, there will be one student presentation and one in-class exercise.

- (4) Student Presentation:** Present on TRIPs and the role of MNCs in bringing it about as well as how TRIPs and medicine has surfaced in MNC-developing country relations. *Suggested Reading:* Chorev, Nitsan and Shadlen, Kenneth C. (2015) Intellectual property, access to medicines, and health: new research horizons. *Studies in Comparative International Development* 50 (2): 143-156.

In-class exercise

In the class-exercise, you will get into groups and act as consultants to create an index related to FDI. You will be using what you learned in the previous weeks. You will learn about the rest of the assignment in class. Post-exercise, there will be a short lecture by the Instructor.

Antitrust (also known as Competition Policy) (11/01)

If you don't know what anti-trust is at all, please read the first paragraph of Baron on p.230 before doing the readings.

- Baron, p.238 (start at "Antitrust Thought)-251; 253-256 (AT&T Merger Case).
- VHV, pp.207-214.
- Bolte, Timothy. 2013/2014. "The Merger of American Airlines and U.S. Airways" *Review of Banking and Financial Law*. Available here: https://www.bu.edu/rbfl/files/2014/03/RBFL-Vol-33.2_Bolte.pdf

Questions:

1. Please familiarize yourself with different schools of thought in anti-trust.
2. What are horizontal versus vertical mergers? Why does this distinction matter?
3. What was the main trade-off that lay at the core of the DOJ's consideration of the American and US Airways merger?

- (5) Student Presentation:** Global mergers and acquisitions have increased in recent years. Provide background on the global dimension of M& A and discuss the challenges faced by companies in wanting to engage in such mergers as well as the challenges they pose for regulators and publics. *Suggested reading:* "The Anatomy of the GE-Honeywell Disaster." *The Time*, July 8, 2001. <http://content.time.com/time/business/article/0,8599,166732,00.html> (This is a well-known case covered extensively by other relevant outlets, such as *The Economist*.)

Financial Markets and Their Regulation (11/3)

- Baron, p.291-296; 308-313.
- *Global Banking Regulation*. Cecchetti, Stephen G., Dietrich Domanski and Goetz von Peter. 2011. “New Regulation and The New World Of Global Banking” National Institute Economic Review No. 216 (April): R29-R40.

(6) Student Presentation: Does the Dodd-Frank Act deal adequately with the weaknesses apparent in financial markets in the pre-2008 crisis period? *Suggested Reading:* Barron, 301-304.

Business and Environmental Policies (11/8)

The lecture will discuss global climate change and institutions that are attempting to govern it.

- VHV, pp.746-768.
- Baron, “Shell, Greenpeace, and Brent Spar”, pp. 92-94.
- Case. Texaco-Chevron lawsuit. Details here: <https://business-humanrights.org/en/texacochevron-lawsuits-re-ecuador>

Questions:

1. To what extent is Coase’s Theorem helpful in understanding contracting over environmental problems? (How does it illuminate the issues, what are its weaknesses?)
2. What are the similarities and differences across the two cases (Shell/Brent Spar and Texaco/Ecuador)?
3. Based on your readings, assess the merits of different types of environmental regulation.

(7) Student Presentation: Assess cap-and-trade regimes established in different countries and discuss their merits/drawbacks versus a carbon tax. Would you recommend a global carbon tax or a cap-and-trade system to tackle global climate change? *Suggested Reading:*

http://earth.columbia.edu/sitefiles/file/Sachs%20Writing/2009/YaleEnvironment_2009_PuttingaPriceofCarbon_05_07_09.pdf

Inequality and Its Consequences (11/10)

- Milanovic, Branko. 2016. “Why the Global 1% and the Asian Middle Class Have Gained the Most from Globalization.” *Harvard Business Review*, May 13. Available here: <https://hbr.org/2016/05/why-the-global-1-and-the-asian-middle-class-have-gained-the-most-from-globalization>
- Ostry, Jonathan et al. 2014. “Redistribution, Inequality, and Growth”. IMF Staff Discussion Note. IMF. Available here: <https://www.imf.org/external/pubs/ft/sdn/.../sdn1402.pdf>

Questions:

1. Should we care about *global* inequality, and why? (Should inequality be considered a market failure?)
2. Based on these two readings, what are some of the patterns that we observe regarding inequality across the world?
3. What are some of the methodological issues that Ostry et al emphasizing in understanding the relationship between inequality and economic growth?
4. If you are a policy-maker, would you institute policies that try to lessen economic inequality? Why?

Microfinance (11/15)

- Banerjee Abhijit and Esther Duflo. 2011. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Chapter 7 (“The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor.”)
- “Andhra Pradesh 2010: Global Implications of the Crisis in Indian Microfinance.” *CGAP Focus Note*. <https://www.cgap.org/sites/default/files/CGAP-Focus-Note-Andhra-Pradesh-2010-Global-Implications-of-the-Crisis-in-Indian-Microfinance-Nov-2010.pdf>

Questions:

1. To which market failures does microfinance respond?
2. What explains microfinances’ exponential growth in India? Which of the theories from this semester help you explain this growth?
3. What do you think of the Banerjee & Duflo experiment? What do these experiments achieve that social scientists might not be able to study otherwise? What are their weaknesses?
4. What are the ethical issues that arise from these discussions on microfinance?

- (8) Student Presentation:** Discuss why the need for microcredit in advanced economies like the USA has risen and provide an assessment of whether you think it will be beneficial. *Suggested Reading:* “Microcredit for Americans”, *The New York Times*, October 28. <http://www.nytimes.com/2013/10/29/business/microcredit-for-americans.html>

Corporate Governance (11/17)

- L. Bebchuck and C. Fried, “Executive Compensation as an Agency Problem,” *Journal of Economic Perspectives*, 2003.
- Morck, Randall. 2008. “Behavioral Finance in Corporate Governance” *Journal of Management Governance* 12:179-200.

Questions:

1. What are principal-agent problems prevalent in corporate governance?
2. Identify three ways in which the Bebchuck and Fried article suggests how compensation of CEOs should be understood with reference to business' non-market environment and how that non-market environment affects its market activities/behavior.
3. What does behavioral economics ("behavioral finance") illuminate about corporate governance that interest-based explanations cannot?

(9) Student Presentation: What did Sarbanes-Oxley try to achieve, and has it reached its aims? *Suggested reading:* Coates, John. "The Goals and Promise of the Sarbanes-Oxley Act" *Journal of Economic Perspectives* 21(1): 91-116.

Labor & its Regulation (11/22)

- Spar, Debora L. 2002. "Hitting the Wall: Nike and International Labor Practices." HBS 9-700-047. September 6.
- Dimon, Jamie. 2016. "Why We are Giving our Employees a Raise" *The New York Times*, July 12. http://www.nytimes.com/2016/07/12/opinion/jamie-dimon-why-were-giving-our-employees-a-raise.html?_r=0
- Yi Huang, Prakash Loungani, Gewei Wang. 2014. "Minimum Wages and Firm Employment: Evidence from China". Voxeu, May 16.
Available here: <http://voxeu.org/article/minimum-wages-china>

Suggested: Udry, Christopher, 2004. "Child Labor," Understanding Poverty.

(10) Student Presentation: What are some major findings on immigration and labor? For instance, does immigration into country X depress wages there? *Suggested Readings:* CBO's study (<https://www.cbo.gov/publication/44346>) and for a counter-perspective, see the work of George Borjas of Harvard University.

No Class on 11/24 due to Thanksgiving.

Student Presentations: Europe and Its Troubles (11/29)

(11) Student Presentation: Provide an analysis (causes, consequences, implications) of the 2008 European debt crisis. *Suggested Reading:* Hall, Peter A. 2014. "Varieties of Capitalism and the Euro Crisis." *West European Politics* 37 (6) (August 14): 1223–1243.

(12) Student Presentation: Why was the vote in favor of Brexit? What are the observed or expected economic repercussions? *Suggested reading:* www.voxeu.org has run a number of good articles on this topic, which should be a good starting point.

Corporate Social Responsibility: Case of the UN Global Compact (12/01)

- Runhaar, Hens and Helene Lafferty. 2009. “Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry.” *Journal of Business Ethics* 84:479–495
- Knudsen, Jette Steen. 2011. “Company Delistings from the UN Global Compact: Limited Business Demand or Domestic Governance Failure?” *Journal of Business Ethics* 103:331–349.

Questions:

1. Why should corporate social responsibility be an important part of business’ non-market considerations?
2. What is the promise private governance initiatives like the Global Compact? What are their drawbacks?

Synthesis: 12/6.

Second Exam in Class: 12/8.

PRESENTATION FEEDBACK FORM (please circle as appropriate)

Components	Needs Work	Good	Excellent
<p>Understanding of the material</p> <p>[about 30 % of the grade]</p>	<p>There are a number of inconsistencies or inaccuracies in the presentation that inhibit the audience's understanding of the material</p>	<p>Demonstrates some knowledge and provides an argument, but some issues that are important for the understanding of the material are left out, or the knowledge presented is too lopsided to allow the audience to formulate their own perspective <u>[I didn't think it was lopsided, so that is not in bold]</u></p>	<p>Demonstrates depth of knowledge, discusses the issue objectively with due attention to different perspectives</p>
<p>Analytical Thinking</p> <p>[about 30% of the grade]</p>	<p>Presentation merely summarizes from existing works, without analyzing them critically or synthesizing from them. Clear thesis is missing.</p>	<p>There is a thesis, but the thesis is not strong enough or developed enough (well-differentiated within the existing arguments).</p>	<p>The presentation is centered on a strong central thesis that is well developed and argued convincingly. (well differentiated within the existing arguments).</p>
<p>Communication</p> <p>[about 20% of the grade]</p>	<p>Information that is being communicated to the audience is not clear enough. Main questions from the audiences are not clearly answered.</p>	<p>Presentation is generally effective, but has some gaps in the manner in which it is being communicated, and some questions from the audience remain unanswered.</p>	<p>Communication is strong throughout, captures the audience, and engages them.</p>
<p>Visual Aids (Slides, Handouts etc)</p> <p>[about 15 percent of the grade]</p>	<p>Visual aids are either lacking or they are confusing. Confusion can stem from one or a combination of the following problems: too much information on a single page that is distracting; some of the information communicated is not</p>	<p>Visual aids are appropriate, but either are lacking in certain instances or are not properly explained by the presenter. Having too much information on a single page/slide is also problematic.</p>	<p>Visual aids are interesting, presented appropriately (timed well with the presentation and used in a manner that supports the discussion), and are skillfully explained by the presenter.</p>

	accurate; presenters do not explain or reference the visual aids.		
Time Keeping [about 5 percent of the grade] (allow time for the audience to ask questions)	Lacking – key issues are rushed, while minor points are discussed in too lengthy of a manner; there is generally low awareness of time.	Generally good, though some issues could have received more attention, while others could have received less	All the key points are presented within the time frame and the audience has ample time to ask questions.

Written Assignment Question:

Write a succinct piece assessing Milton Friedman's following lecture:

Friedman, Milton. 1991. Why Government is the Problem. November 7.

<https://www.manhattan-institute.org/html/1991-wriston-lecture-why-government-problem-6395.html>

You can choose to agree or disagree with Friedman or take a more nuanced approach. In addition to the strength of your analysis and how well you use concepts from class, you will be assessed based on organization, style, and grammar. Make sure to address "alternative explanations", namely explanations that differ from your primary explanation or points.