

**University of Pennsylvania  
The Wharton School  
BEPP 203  
Spring 2021**

**BUSINESS IN THE GLOBAL POLITICAL ENVIRONMENT**

**Professor Ricardo Pique & Professor Shing-Yi Wang**

**Contact Information**

Professor Ricardo Pique: [rpique@wharton.upenn.edu](mailto:rpique@wharton.upenn.edu)  
Online Office hours: Thursdays 10:30-11:30am  
Class times: M/W 10:30-11:50am

Starting Session 15  
Professor Shing-Yi Wang: [was@wharton.upenn.edu](mailto:was@wharton.upenn.edu)  
Office hours: TBD

Undergraduate TA  
Simona Vignor: [simonav@wharton.upenn.edu](mailto:simonav@wharton.upenn.edu)  
Office hours: TBD

**Description**

The environment of business has market and nonmarket components. The market component is characterized by the economics of an industry and a firm's position in it. The nonmarket component is the broader political, regulatory, legal and civil context in which companies function. This course will focus on various dimensions of the nonmarket context. We will devote considerable attention to understanding where economic policy comes from, and how economic policy addresses important market failures. Most lectures will present one or more focal economic concepts and analyze an application in reference to the concepts. The applications will be drawn from around the world.

Given the emphasis of the course on economic and political institutions and market issues in emerging markets, BEPP 203 counts towards the "Global Economy, Business and Society" flex fundamentals.

**Reading Material**

The following book will be used in the course:

- Viscusi, Harrington, and Vernon: *Economics of Regulation and Antitrust*, 4<sup>th</sup> Edition, MIT Press, 2005. ("VHV" below)

It is not necessary to purchase the VHV book as these readings will be available both on electronic reserve and on reserve at Lippincott library. When a web link is provided for an article in the syllabus you should directly download the article for that link. All of the other articles can be obtained either from the Canvas course site or from the web. There will also be optional readings, drawn from a range of sources. These optional readings, all of which are available on

Canvas and online, are listed as “suggested” in the reading list below. Additional material such as PowerPoint slides from the lectures will be posted on Canvas.

### **Grades and Assignments**

First Exam	35%
Writing Assignment	5%
Team Presentation	15%
Second Exam	35%
Class Participation (Cases, Q&A, Peer Feedback)	10%

### **Writing Assignment**

There is a mandatory writing assignment for this course. You will be given the option of addressing one of several pre-selected questions in 500 words (or less). 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. 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**

Closed book exams will focus on the economic concepts and applications from the first part of the course (first exam) and the second part of the course (second exam). 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 sent on Canvas to the professor stating the specific reasons for the re-grade (i.e. specific questions, and why they believe the 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: <https://catalog.upenn.edu/pennbook/code-of-academic-integrity/>

### **Class Participation**

You are expected to come to class prepared. The required readings, and ideally also the additional suggested readings, should be completed before class, and you should be ready to discuss the economic concepts and the details of the cases when you arrive. 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.

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.

### **Team Presentations**

Overview: Students will be in teams of about 4 to 6 students, 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.

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 course concepts you use as opposed to mentioning but not providing complete explanations. 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 fun, but keep it clean, and keep it professional.

Each group presentation should run twenty-three 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. We expect that you will not copy whole slides or longer portions of other presentations for use in this class.

Hand in: Team participants must hand in a print out of the complete PowerPoint (or pdf) slides 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 9am on the day of the presentation. Please name the file with your topic.

Topics, Dates, and Sign-up Logistics: Presentation sign-ups will occur after the first few weeks of class. No changes in groups can occur after the sign-up date. There are no exceptions to this policy.

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 content and structure of the presentation, and in particular the relevance of the economic concepts used and comparison to relevant cases. Each team project will receive one group grade. All students in the team will receive the same grade for their team assignment. Students who fail to participate fully in team presentations will lose credit on their class participation grade.

### **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 the Weingarten Learning Resources Center (215-573-9235) for more information.

### **Course Outline and Schedule**

#### **Session 1 (Wednesday 1/20): Overview**

+ VHV Ch 1 pages 1-11

+ Bagues, M., & Esteve-Volart, B. (2016). Politicians' luck of the draw: Evidence from the Spanish Christmas lottery. *Journal of Political Economy*, 124(5), 1269-1294.

+ Depetris-Chauvin, E., Durante, R., & Campante, F. (2020). Building nations through shared experiences: Evidence from African football. *American Economic Review*, 110(5), 1572-1602.

#### **Sessions 2 and 3 (Monday 1/25 + Wednesday 1/27): Institutions**

+ Acemoglu, Johnson and Robinson. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, Vol. 91, No. 5. (Sections Introduction, I-III, VI Suggested).

+ De Soto, Hernando, 2000. *The Mystery of Capital*, Chapters 1-2. (Suggested)

+ Dell, M. (2010). The persistent effects of Peru's mining mita. *Econometrica*, 78(6), 1863-1903.

+ Nunn, N. (2008). The long-term effects of Africa's slave trades. *The Quarterly Journal of Economics*, 123(1), 139-176.

+ Regression Handout (Suggested) [Available on Canvas.]

#### **Session 4 (Monday 2/1): Democracies and Median Voter Theorem**

+ Butler, Lee, and Moretti. Do Voters Affect or Elect Policies? Evidence from the U.S. House. *Quarterly Journal of Economics*, 119(3), 807-859. (suggested)

+ “Fifty-Fifty Forever,” By Mickey Kaus, Slate Magazine, November 29, 2004. Available at: <http://www.slate.com/id/2073262/>

+ Gerber, E. R., & Lewis, J. B. (2004). Beyond the median: Voter preferences, district heterogeneity, and political representation. *Journal of Political Economy*, 112(6), 1364-1383.

+ McMillan, J., & Zoido, P. (2004). How to subvert democracy: Montesinos in Peru. *Journal of Economic perspectives*, 18(4), 69-92.

#### **Session 5 (Wednesday 2/3): Do Political Parties and Politician Identity Matter?**

+ Besley, Timothy, 2005. Political Selection. *Journal of Economic Perspectives*, Summer 2005.

+ Jones, B. F., & Olken, B. A. (2005). Do leaders matter? National leadership and growth since World War II. *The Quarterly Journal of Economics*, 120(3), 835-864.

+ Pettersson-Lidbom, P. (2008). Do parties matter for economic outcomes? A regression-discontinuity approach. *Journal of the European Economic Association*, 6(5), 1037-1056.

+ “Women as Policy Makers,” Poverty Action Lab Briefcase #1, <http://www.povertyactionlab.org/publication/women-policy-makers>

#### **Session 6 (Monday 2/8): Autocracies and State Repression**

+ “Efficiency versus freedom: Rwanda and other aid darlings,” *The Economist*, August 5, 2010.

+ Guriev, S., & Treisman, D. (2019). Informational autocrats. *Journal of Economic Perspectives*, 33(4), 100-127.

+ Mulligan, C. B., Gil, R., & Sala-i-Martin, X. (2004). Do democracies have different public policies than nondemocracies?. *Journal of Economic Perspectives*, 18(1), 51-74.

+ Przeworski, Adam and Fernando Limongi, “Political Regimes and Economic Growth,” *Journal of Economic Perspectives*, 1993. (Suggested)

## **Sessions 7 and 8 (Wednesday 2/10 and Monday 2/15): Corruption – Consequences and Remedies**

- + Ferraz, C., & Finan, F. (2008). Exposing corrupt politicians: the effects of Brazil's publicly released audits on electoral outcomes. *The Quarterly journal of economics*, 123(2), 703-745.
- + Ferraz, C., & Finan, F. (2011). Electoral accountability and corruption: Evidence from the audits of local governments. *American Economic Review*, 101(4), 1274-1311.
- + Olken, Poverty Action Lab Policy Briefcase #5, <http://www.povertyactionlab.org/publication/routes-reduced-corruption>
- + Svensson, J. (2005). Eight questions about corruption. *Journal of economic perspectives*, 19(3), 19-42.

***Writing Assignment Due on Monday 2/15 at 10:30am submitted on Canvas***

## **Sessions 9 and 10 (Wednesday 2/27 and Monday 2/22): Conflict and Terrorism**

- + Abadie, A., & Gardeazabal, J. (2003). The economic costs of conflict: A case study of the Basque Country. *American economic review*, 93(1), 113-132.
- + Blattman, C., & Miguel, E. (2010). Civil war. *Journal of Economic literature*, 48(1), 3-57.
- + Fearon, J. D. (1995). Rationalist explanations for war. *International organization*, 49(3), 379-414.
- + Gaibulloev, K., & Sandler, T. (2019). What we have learned about terrorism since 9/11. *Journal of Economic Literature*, 57(2), 275-328.
- + Guidolin, M., & La Ferrara, E. (2007). Diamonds are forever, wars are not: Is conflict bad for private firms?. *American Economic Review*, 97(5), 1978-1993.
- + Voigtländer, N., & Voth, H. J. (2013). Gifts of Mars: warfare and Europe's early rise to riches. *Journal of Economic Perspectives*, 27(4), 165-86.

## **Session 11 (Wednesday 2/24): Culture**

- + Alesina, A., & Fuchs-Schündeln, N. (2007). Goodbye Lenin (or not?): The effect of communism on people's preferences. *American Economic Review*, 97(4), 1507-1528.
- + Guiso, L., Sapienza, P., & Zingales, L. (2006). Does culture affect economic outcomes?. *Journal of Economic perspectives*, 20(2), 23-48.
- + Guiso, Sapienza and Zingales, "Cultural Biases in Economic Exchange," *Quarterly Journal of Economics*, Vol. 124, No. 3 (2009). (pages 1095-1118, 1121-1122, 1124-1126, 1128-1129)

**Session 12 (Monday 3/1): Synthesis**

**Session 13 (Wednesday 3/3): First Exam**

**Session 14 (Monday 3/8): Presentations I**

Team Presentation 1

Team Presentation 2

Team Presentation 3

**Session 15 (Monday 3/15): Political Contributions, Lobbying and Political Behavior**

+ “Why Is There so Little Money in U.S. Politics?” Stephen Ansolabehere, John M. de Figueiredo and James M. Snyder Jr. *The Journal of Economic Perspectives*, Vol. 17, No. 1 (Winter, 2003), pp. 105-130

+ “‘Revolving Door’ Lobbyists: the Value of Political Connections in Washington” Jordi Blanes I Vidal, Mirko Draca, and Christian Fons-Rosen. *Voxeu*, October 28, 2011.

<https://voxeu.org/article/political-scandal-and-value-connections-insights-britain-and-us>

**Session 16 (Wednesday 3/17): Media in Democracies**

+ Mankiw, Gregory, “Media Slant: A Question of Cause and Effect,” *New York Times*, May 3, 2014.

+ Duflo, Esther, “Does the mass-media have political influence?” *Voxeu*, January 3, 2008

<https://voxeu.org/article/does-mass-media-influence-voters-evidence-us>

**Session 17 (Monday 3/22): Economic Theory of Regulation**

+ VHV pp. 39-51, 381-385

+ “The Regulator Franchise, or the Alan Blinder Problem.” Available at:

[http://www.huffingtonpost.com/nassim-nicholas-taleb/the-regulator-franchise-o\\_b\\_667967.html](http://www.huffingtonpost.com/nassim-nicholas-taleb/the-regulator-franchise-o_b_667967.html)

**Session 18 (Wednesday 3/24): Market Failure: Adverse Selection**

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

**Session 19 (Monday 3/29): Adverse Selection and Moral Hazard**

+ Gneezy, Uri, John List and Michael Price, “Toward an Understanding of Why People Discriminate: Evidence from a Series of Natural Experiments,” NBER Working paper, 2012. (Introduction + Study I only, Pages 1-13)

+ Levitt, Steven and Chad Syverson, “Market Distortions When Agents are Better Informed: the Value of Information in Real Estate Transactions,” *Review of Economics and Statistics*, 2008. (Suggested)

### **Session 20 (Wednesday 3/31): Adverse Selection and Moral Hazard**

+ Gine, Xavier and Dean Karlan, “Peer Monitoring and Enforcement: Long Term Evidence from Microcredit Lending Groups With and Without Group Liability” [Available on Canvas] (pages 1-6, 9-17, 20-23, 25-28)

Team Presentation 4: Moral Hazard and Executive Compensation

### **Session 21 (Monday 4/5): Presentations II**

Team Presentation 5: Should Public Servants in Developing Countries Be Paid More?

Team Presentation 6: Are Driving Restrictions Good Public Policy?

Team Presentation 7: Regulatory Challenges of Peer-to-Peer Lending

### **Session 22 + 23 (Wednesday 4/7 + Monday 4/12): Inequality**

+ Card, David, “Immigration and Inequality,” *American Economic Review: Papers and Proceedings*, 2009. (Suggested)

+ Schweinhart, Montie, Xiang, Barnett, Belfield, Nores, “High/Scope Perry Preschool Study Through Age 40” [Available on Canvas]

+ Cassidy, John, “Piketty’s Inequality Story in Six Charts,” *New Yorker*, March 26, 2014. (Suggested)

### **Session 24 (Wednesday 4/14): Low Wages and Labor Issues**

+ Guilbert, Kieran, “Adidas, Nike urged to ensure fair wages for Asian workers making World Cup kits,” *Reuter*, June 22, 2018.

+ Brown, Drusilla, Alan Deardorff, Robert Stern, “The Effects of Multinational Production on Wages and Working Conditions in Developing Countries,” NBER Working Paper, April 2003 (Sections I + II only are suggested)

### **Session 25 (Monday 4/19): Migration, Labor and Revealed Preference**

+ Kaminer, Ariel and Sean O’Driscoll, “Workers at NYU’s Abu Dhabi Site Face Harsh Conditions,” *New York Times*, May 18, 2014.

+ Posner, Eric and Glen Weyl, “A Radical Solution to Global Income Inequality: Make the U.S. More like Qatar,” *New Republic*, November 6, 2014.

+ “Wages of Chagrin,” *Economist*, April 9, 2016.

**Session 26 (Wednesday 4/21): Labor Regulation Presentations**

Team Presentation 8: Minimum Wage Laws

Team Presentation 9: Non-Compete Contracts

Team Presentation 10: International Regulations for Labor Manufacturing

**Session 27 (Monday 4/26): Synthesis**

**Session 28 (Wednesday 4/28): Second Exam in Class**