

**University of Pennsylvania  
The Wharton School  
BEPP 2030  
Fall 2022**

**BUSINESS IN THE GLOBAL POLITICAL ENVIRONMENT**

**Prof. Santosh Anagol**

**Contact Information**

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Professor Anagol's Office hours: Friday 3:45-4:45pm or by appointment  
Section 001: TR 12:00-1:30pm

TAs:

TA Office Hours:

**Description**

This course studies the global environment that business operate in, focusing on how politics affects economic policies and how economic policies respond to market failures around the world. 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 theories have been chosen for their worldwide application, and empirical examples 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 books will be used in the course:

- Viscusi, Harrington, and Vernon: *Economics of Regulation and Antitrust*, 5<sup>th</sup> Edition, MIT Press, 2018. ("VHV" below)
- Thaler, Richard and Cass Sunstein: *Nudge*, Yale University Press, 2008.
- De Soto, Hernando: *The Mystery of Capital*, 2003.
- Baron, David: *Business and Its Environment*, Prentice Hall, 2013.

You are recommended to buy the first book (VHV), though several copies of this book have been placed on reserve at the library. It is not necessary to purchase the Thaler, De Soto, or Baron books as these (very short) readings will be available at Lippincott library (on reserve). 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 (Sessions 1-13)	35%
Writing Assignment	5%
Team Presentation	15%
Second Exam (Sessions 14-27)	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 case applications from Sessions 1-13 (first exam) and Sessions 15-27 (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 Professor Anagol 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, 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. We do not recommend 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 let us know us that you will be attending another section).

### **Support Functions**

BEPP's support staff ([emoskat@wharton.upenn.edu](mailto:emoskat@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](mailto:emoskat@wharton.upenn.edu)) will provide classroom support.

### **Team Presentations**

**Overview:** Students will be in teams of about 3 to 6 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.

**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-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. 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 noon on the day of the presentation. Please name the file with your section and topic.

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 will fill out a form indicating your preferences over topics and potential team members, and we will assign you to a group doing our best to accommodate preferences.
- 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 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 215-573-9235 for more information.

### **Course Outline and Schedule**

#### **Session 1 (Tuesday 8/30): Overview**

+ VHV Ch 1 pages 1-11

+ “Estimating the Value of Political Connections” Ray Fisman, *American Economic Review*, 91(4), 2001, pp. 1095-1102 (suggested).

## **Session 2 (Thursday 9/1) Median Voter Theorem**

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

+ “Thanks to finely tuned focus groups...”, By Robert David Sullivan, November 16, 2000. Available at: <http://web.archive.org/web/20130328234652/http://www.bostonphoenix.com/archives/2000/documents/00520743.htm>

+ Miller, Grant. “Women’s Suffrage, Political Responsiveness, and Child Survival in American History” *Quarterly Journal of Economics*, August, 2008. (suggested)

+ 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)

## **Session 3 (Tuesday 9/6) Does Politician Identity Matter?**

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

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

+ Washington, Ebonya, 2008. “Female Socialization: How Daughters Affect Their Legislator Fathers’ Voting on Women’s Issues.” *American Economic Review*, 98(1), pp. 311-332.(suggested)

+ “The Fairer Sex” by Ray Fisman, available at: [http://www.slate.com/articles/business/the\\_dismal\\_science/2012/03/women\\_in\\_the\\_boardroom\\_what\\_happens\\_after\\_women\\_break\\_through\\_the\\_glass\\_ceiling.html](http://www.slate.com/articles/business/the_dismal_science/2012/03/women_in_the_boardroom_what_happens_after_women_break_through_the_glass_ceiling.html) (suggested)

## **Session 4 (Thursday 9/8) 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” Jordi Blanes I Vidal, Mirko Draca, and Christian Fons-Rosen. *American Economic Review*, 102(7), 2012, pp. 3731-3748. (suggested)

## **Session 5 (Thursday 9/13) Economic Theory of Regulation**

+ VHV pp. 458-463

+ “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 6 (Tuesday 9/15) Airlines Regulation**

+ VHV 642-667. Can skim model on predatory pricing (Fig 16.11)

+ Bailey, "Air Transportation Deregulation," 2008, 1-12

### **Session 7 (Thursday 9/20) Corruption in Emerging Markets**

+ Shleifer and Vishny, "Corruption", *Quarterly Journal of Economics*, 1993.

### **Session 8 (Tuesday 9/22): Remedying Corruption in Emerging Markets**

*Writing Assignment Due on 9/22 at Noon submitted on Canvas.*

+ Olken, Poverty Action Lab Policy Briefcase #5,  
<http://www.povertyactionlab.org/publication/routes-reduced-corruption>

+ “Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets”  
Raymond Fisman and Edward Miguel. *Journal of Political Economy*, 115(6), 2007 (suggested)

### **Session 9 (Thursday 9/27): Market Failure: Biases in Decision-Making**

+ VHV 905-914.

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

### **Session 10 (Tuesday 9/29): Economic Regulation to Combat Biases in Decision-Making**

+ Thaler and Sunstein, *Nudge*, Ch1 pp. 1-14, Ch 4-5 pp. 72-100 [Available in the course pack or on reserve at the library]

+ Glaeser, "Paternalism and Psychology," 2005.

### **Session 11 (Thursday 10/4): Market Failure: Externalities and the Coase Theorem**

+ VHV 771-780.

+ Scrubbers and Environmental Politics, *Business and Its Environment*, 194-195

### **Session 12 (Tuesday 10/11): Review for the First Exam**

### **Session 13 (Thursday 10/13): First Exam in Class**

## **Session 14 (Tuesday 10/18): Presentations I**

Team Presentation 1: Behaviorally Inspired Solutions to Improve Savings for Retirement

Team Presentation 2: The Opioid Crisis

Team Presentation 3: The Great Indian Demonetization Experiment

## **Session 15 (Thursday 10/20): Presentations II**

Team Presentation 4: Should Public Servants in Developing Countries Be Paid More?

Team Presentation 5: Are Driving Restrictions Good Public Policy?

Team Presentation 6: Consumer Indignation over Price Increases and Firm Responses

## **Session 16 (Tuesday 10/25) Institutions and Growth in Emerging Markets**

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

+ Romer, Paul, “Technologies, Rules and Progress: The Case for Charter Cities,” Center for Global Development Essay, March 2010. [Available on Canvas.]

## **Session 17 (Thursday 10/27) Lack of Property Rights I in Emerging Markets**

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

+ Differences-In-Differences Handout [Available on Canvas.]

## **Session 18 (Tuesday 11/1): Lack of Property Rights II in Emerging Markets**

+ De Tella, Galiani and Schargrodsky, “The Formation of Beliefs: Evidence from the Allocation of Land Titles to Squatters,” *Quarterly Journal of Economics*, February 2007. (Sections I-III.A, III.C, IV)

+ Field, Erica (2005). “Property Rights and Investment in Urban Slums.” *Journal of the European Economic Association Papers and Proceedings*, 3(2-3).

## **Session 19 (Thursday 11/3): Culture in Worldwide Economic Exchange**

+ 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)

+ Fernandez, Raquel and Alessandra Fogli, “Culture: An Empirical Investigation of Beliefs, Work, and Fertility,” *American Economic Journal: Macroeconomics*, Vol. 1, No. 1 (2009). (Sections Introduction, II-III (before III.A), IV, VII)

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

### **Session 20 (Tuesday 11/8): Adverse Selection in Microfinance**

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

### **Session 21 (Thursday 11/10): 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. (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 22 (Tuesday 11/15): Adverse Selection and Moral Hazard**

+ "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)

+ Bebchuck and Fried, "Executive Compensation as an Agency Problem," *Journal of Economic Perspectives*, 2003. (Suggested)

+ Dewan, "Moral Hazard: A Tempest-Tossed Idea," *New York Times* Feb. 26, 2012. (Suggested)

Team Presentation 7: Moral Hazard and Executive Compensation

### **Session 23 (Thursday 11/17): In-Class Exercise: Microfinance**

+ "India Microcredit Faces Collapse from Default." *New York Times*. 17 November 2010.

+ "Sacrificing Microcredit for Megaprofits." *New York Times*- The Opinion Pages. 14 January 2011.

+ "Help Microfinance, Don't Kill It." *Indian Express*. 26 November 2010.

+ "The Microfinance Crisis: Is There a Way Out?" *The Wall Street Journal*. 1 August 2011.

+ "Andhra Pradesh 2010: Global Implications of the Crisis in Indian Microfinance." *CGAP Focus Note*.

### **Session 24 (Tuesday 11/22): Inequality Around the World**

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

+ HighScope Perry Preschool Study at <https://highscope.org/research>



### **Session 25 (Thursday 11/29): Migration, Labor and Revealed Preference: The Gulf Country Experience**

- + 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 (Tuesday 12/1): Labor Regulation**

- + Zipperer, Ben and John Schmitt, "The 'high road' Seattle labor market and the effects of the minimum wage increase," Economic Policy Institute, June 26, 2017 (Suggested)
- + Williamson, Kevin, "Magical Thinking about Minimum Wages," *National Review*, June 28, 2017. (Suggested)
- + Krueger, Alan and Orley Ashenfelter, 2017, "Theory and Evidence on Employer Collusion in the Franchise Sector" (Suggested) at [http://conference.nber.org/confer//2017/SI2017/LS/Krueger\\_Ashenfelter.pdf](http://conference.nber.org/confer//2017/SI2017/LS/Krueger_Ashenfelter.pdf)
- + Udry, Christopher, 2004. "Child Labor," *Understanding Poverty*. (Suggested)

Team Presentation 8: Minimum Wage Laws

Team Presentation 9: Non-Compete Contracts

Team Presentation 10: International Regulations for Labor Manufacturing

### **Session 27 (Thursday 12/6): Synthesis**

### **Session 28 (Tuesday 12/8): Second Exam in Class**