

**University of Pennsylvania**  
**The Wharton School**  
**BEPP 2030**  
**Fall 2024**

**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, Section 002: 1:45-3:15pm  
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**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 2030 counts towards the “Global Economy, Business and Society” flex fundamental.

**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)
- De Soto, Hernando: *The Mystery of Capital*, 2003.
- Baron, David: *Business and Its Environment*, Prentice Hall, 2013.
- Thaler, Richard and Cass Sunstein: *Nudge*, Yale University Press, 2008.

The first three books are available for free from the Course Materials @ Penn Libraries link on the BEPP 2030 canvas site, so it is not necessary to purchase them. The required *Nudge* chapters are available on reserve at Lippincott Library. All of the required articles (which make up most of the reading) are available directly from the Course Materials @ Penn Libraries link on Canvas. 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	20%
Second Exam (Sessions 14-27)	35%
Class Participation (Cases, Q&A, Peer Feedback)	5%

### **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 in-class 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 an email 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 Notice system through Path@Penn. 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 5 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 2030. 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-two 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. You are free to use LLMs such as Chat-GPT but make sure to check the sources and economic logic of any produced materials.

Hand in: Please submit your slides or presentation link by email (cc'ing all teammates) by 11am on the day of the presentation to Prof. Anagol. 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 8/27): Overview**

+ VHV Ch 1 pages 1-11. “Introduction” through “Criteria for Assessment” sections.

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

## **Session 2 (Thursday 8/29) 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 9/3) 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 9/5) 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 (Tuesday 9/10): 1<sup>st</sup> Half: Media in Democracies; 2<sup>nd</sup> Half: Autocracies**

+ 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>

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

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

### **Session 5 (Thursday 9/12) Economic Theory of Regulation**

+ VHV pp. 458-463, Chapter 10, “Economic Theory of Regulation” through “Predicting the Type of Industry to Be Regulated” sections.

+ “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 9/17) Airlines Regulation**

+ VHV 642-667. Chapter 16, “Airlines” section to end of chapter. Can skim model on predatory pricing (Fig 16.11)

+ Bailey, “Air Transportation Deregulation,” 2008, 1-12

### **Session 7 (Thursday 9/19) Corruption in Emerging Markets**

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

+ Olken, Poverty Action Lab Policy Briefcase #5,  
<https://www.povertyactionlab.org/evaluation/combating-corruption-community-development-indonesia>

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

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

### **Session 9 (Tuesday 9/24): Market Failure: Biases in Decision-Making**

+ VHV 905-914, Chapter 24 “Introduction” through “Prospect Theory” sections.

+ 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 (Thursday 9/26): Economic Regulation to Combat Biases in Decision-Making**

+ Thaler and Sunstein, *Nudge*, Intro 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 (Tuesday 10/1): Market Failure: Externalities and the Coase Theorem**

+ VHV 771-780. Chapter 21 start through "Smoking Externalities" section.

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

**Session 12 (Tuesday 10/8): Review for the First Exam**

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

**Session 14 (Tuesday 10/15): Presentations I**

Team Presentation 1: Politics and the Response to the Covid-19 Pandemic

Team Presentation 2: The Great Indian Demonetization Experiment

Team Presentation 3: Should Public Servants in Developing Countries be Paid More?

Team Presentation 4: Are Driving Restrictions Good Public Policy?

**Session 15 (Thursday 10/17): Presentations II**

Team Presentation 5: Autocracy

Team Presentation 6: Social Media and Democracy

Team Presentation 7: Consumer Indignation over Price Increases and Firm Responses

Team Presentation 8: Opioid Crisis

**Session 16 (Tuesday 10/22) 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 10/24) Lack of Property Rights in Emerging Markets**

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

+ 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 18 (Tuesday 10/29): 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)

Team Presentation 9: Millennium Villages

### **Session 19 (Thursday 10/31): Adverse Selection**

Team Presentation 10: Cultural Influences on Saving and Investing Behavior

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

### **Session 20 (Tuesday 11/5): Adverse Selection and Moral Hazard (Microfinance Application)**

+ "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)

### **Session 21 (Thursday 11/7): Moral Hazard of Agents and Statistical Discrimination**

+ 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)

+ 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)

### **Session 22 (Tuesday 11/12): Low Wages and Labor Issues**

Team Presentation 11: Moral Hazard and Executive Compensation

+ 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)
- + 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 are suggested)

### **Session 23 (Thursday 11/14): Inequality**

- + Sapolsky, Robert M. (2005). "The Influence of Social Hierarchy on Primate Health," *Science* 29, Vol. 308 no. 5722 pp. 648-652 DOI: 10.1126/science.1106477 (Suggested)
- + Card, David, “Immigration and Inequality,” *American Economic Review: Papers and Proceedings*, 2009. (Suggested)
- + HighScope Perry Preschool Study at <https://highscope.org/research>

### **Session 24 (Tuesday 11/19): Migration, Labor and Revealed Preference: The Gulf Country Experience**

Team Presentation 12: Is Inequality Inevitable?

- + 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 25 (Thursday 11/21): 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)

### **Session 26 (Tuesday 11/26): Labor Regulation II**

Team Presentation 13: Minimum Wage Laws

Team Presentation 14: Non-Compete Contracts

Team Presentation 15: International Regulations for Labor Manufacturing

**Session 27 (Tuesday 12/3): Synthesis**

**Session 28 (Thursday 12/5): Second Exam in Class**