

State & Society (MGT 413)
Fall II, 2021

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Firms need governments to protect property rights, enforce contracts, mitigate market failures, and maintain an environment that is conducive to doing business. Governments depend on the private sector for investment, employment, and revenue, and sometimes to mitigate political failures. Future managers and leaders of both for-profit and non-profit private sector entities must understand the ways in which their organization's mission is dependent on government and devise appropriate strategies vis-à-vis the public sector. Conversely, future public sector leaders must be cognizant of the effects of government action on business. This course is designed to expose students to frameworks derived primarily from the fields of economics and political science that help us analyze the social and political environments within which business operates. The first half of the course focuses on analyzing how government institutions affect the conduct of business and how business can shape government and policy. The second half does deeper dives into a number of pressing policy issues (such as gender and racial discrimination, immigration policy, education policy, public health in light of the COVID-19 epidemic, and the role of evidence in policymaking) that have large effects on employees, managers, shareholders, and other stakeholders. Beyond political science and economics, a rigorous analysis of these topics will require us to also draw on scholarship from the fields of law, history and sociology.

This course on government policy, private sector strategy, and their interactions is a part of the Yale SOM MBA core curriculum because governments and firms have distinct missions and respond to different constituencies, setting up potential frictions and conflicts that require strategic thinking to resolve efficiently. Firms must be profitable, and their managers answer to shareholders, whereas governments must deal with social and political conflicts and attend to voters and other powerful groups. As a result, businesses often confront institutional challenges that have little to do with their business plans.

Government attitudes toward business vary across institutional environments and over time. Most developed country governments greatly expanded their regulation of business after the Great Depression and World War II. A reaction set in during the 1980s, accelerating after the collapse of the USSR. Markets were deemed best left alone to do their efficient work, an ethos that went global as the "Washington Consensus" in the 1990s. Then the 2007-08 financial crisis produced a backlash of re-regulation, especially of financial sectors, while low growth, wage stagnation, and refugee crises spawned new waves of populist politics and protectionism. A goal of the course is to provide you some analytical tools that may help you to navigate shifting landscapes in the future.

Business attitudes toward government also vary. Doing business in weak or unstable

states can be lucrative but also dangerous. Firms sometimes contribute to constructive social changes that improve the business environment; sometimes they make things worse. Another goal of the course is to focus attention on when and how firms can be positive social forces in ways that are compatible with sound business practices. Business never operates in a vacuum. Understanding the larger environment in which we work, and how we influence it, can make us more effective leaders who will more likely be appreciated for what we do.

Student Responsibilities & Course Grading

Your course grade will be computed using the following weights:

Class Participation & Discussion Sessions	15%
LT Debate	15%
Case Memo A (2 pages, single spaced)	20%
Case Memo B (2 pages, single spaced)	20%
Final Exam	30%

- **Class Participation:** Students are expected to be prepared for each class by finishing the relevant pre-work (readings, watching required videos, etc).
 - The class participation grade will be based on meaningful participation: a question, a rebuttal, an engaging thought, an extension of the conversation or other substantive input.
 - The grading will pay greater attention to the quality of your inputs, not the quantity of speaking time.
- **Attend at least one discussion session over the course of the semester.** The sessions will be held on Mondays, 6-7pm. The discussion sessions provide an opportunity for you to further discuss topics of relevance to the class for which there was simply not enough class time. **The final review session will not count towards this requirement, so you must attend at least one prior to the December 20th session.** The days and times of the discussion sessions are as follows:
 - November 1, 6-7pm, Room 4420
 - November 8, 6-7pm, Room 4420
 - November 15, 6-7pm, Room 4420
 - November 22 – Thanksgiving break - no discussion session
 - November 29, 6-7pm, Room 4420
 - December 6, 6-7pm, Room 4420
 - December 13, 6-7pm, Room 4420
 - December 20 (Final Review Session), 6-7pm, Room 4420
- **Learning Team Debates:** Every student is required to participate in one debate in class, grouped in their learning teams. We have four debates set up for the eight learning teams on policy issues relevant to the class. Details on the debates can be found in Appendix A of this Syllabus.

The debate schedule is as follows:

- **November 2:** Debate on Amazon's Search for HQ2 (LT 1 and 2)
 - **November 4:** Debate on Corruption and Economic Performance (LT 3 and 4)
 - **December 2:** Debate on Immigration Policy (LT 5, 6 and 9)
 - **December 9:** Debate on Costs and Benefits of Social Distancing Policy in Rich and Poor Countries (LT 7 and 8)
- **Write 2 Case Memos:** Students are expected to individually complete 2 out of the 5 memos and may choose to skip any memo they wish. Should students submit more than 2 memos, the best 2 scores will be considered for their final grade. Details on the memos can be found in Appendix B of this Syllabus. Each of the memos are due *at 8:30am on the day of the relevant class*.

Course Administration

Mushfiq Mobarak is available via email at ahmed.mobarak@yale.edu. **Elijah Maletz:** elijah.maletz@yale.edu (SOM 2022) is the Head TA for State & Society. We are pleased to be staffed by ten exceptional TAs, all members of the SOM class of 2022:

- **Silver Cohort (8:30am – 9:50am), Evans 4410:**
 - Tuesday: Shabab Hussain: shabab.hussain@yale.edu
 - Thursday: Ikya Kandula: ikya.kandula@yale.edu
- **Red Cohort (10:10am – 11:30am), Evans 4410:**
 - Tuesday: Anna Lincoln-Barnes: anna.lincoln-barnes@yale.edu
 - Thursday: Anna Lincoln-Barnes: anna.lincoln-barnes@yale.edu
- **Blue Cohort (1:00pm – 2:20pm), Evans 4410:**
 - Tuesday: Natalie Copeland: natalie.copeland@yale.edu
 - Thursday: Elijah Maletz: elijah.maletz@yale.edu
- **Gold Cohort (2:40pm – 4:00pm), Evans 4410:**
 - Tuesday: Yousef Aly: yousef.aly@yale.edu
 - Thursday: Dan Harris: daniel.harris@yale.edu
- **Green Cohort (4:10pm – 5:30pm), Evans 4410:**
 - Tuesday: Michael Farruggia: michael.farruggia@yale.edu
 - Thursday: Pradeep Venkatesh: pradeep.venkatesh@yale.edu

Each TA can be reached by email, and at least one will be in attendance during every session. TAs will also make themselves available for discussion sessions, review, and advice as needed throughout the course.

Attendance is expected at your respective session, with video cameras on for those with approval to attend online. If you are unable to make your assigned session, please reach out to AASL to switch your session as soon as possible. Alternatively, if it is a one-time situation when you will be unable to attend your session, please reach out to the relevant TA for your assigned session to let them know.

If you have suggestions or concerns with any aspect of the course, please email the head TA and faculty directly.

Hybrid Classroom Expectations

We shall seek to make the sessions interactive with time for questions and group discussion. We especially look forward to the connections to course topics that you can draw, based on your sectoral or professional expertise and experiences from your home country and others you have lived in or come to know. Given SOM's aspirations to be the most global business school, much of our discussion will have an international component, with cases and examples drawn from around the world.

To facilitate an optimal learning environment and given the small percentage of students attending remotely, there are some classroom norms we'd like to set up:

- Clarifying Questions or Thoughts:
 - For those attending classes online, should you have a clarifying question or thought during class, we ask that you send these directly to the TA using the chat feature within zoom.
 - The TA will review questions, consolidate, and use their discretion to interrupt the lecture and either pose questions to the Professor directly during the lecture, or ask you via 'chat' to unmute yourself and speak.
 - For those attending classes in person, you will raise hands as you normally do to share thoughts or seek clarifications.
- Professor Initiated Questions:
 - The Professor shall stop periodically to directly request thoughts from students. When this occurs, for those attending online, please use the "Raise Hands" function available within the "Participants" tab of Zoom.
 - Please do not unmute yourself and interject until requested
 - For those attending classes in person, you will raise hands as you normally do to participate.
- Laptop Policy:
 - For those attending classes online, turn on your video during class. Be aware of your audio and video status in Zoom, muting and unmuting as necessary. Please try to find a quiet, distraction free space to connect.

The expectation is that students, whether in person or remote, be prepared, punctual, engaged, and avoid creating distraction. Where these norms are repeatedly not met, students may be engaged by the TA or faculty, or in extreme circumstances, removed from a session.

Outline of Class Meetings

#	<u>Date</u>	<u>Topic</u>	<u>Assignments Due</u>
<u>Part 1: State Interactions with Business</u>			
1	Oct 26	The State and Society Agenda	
2	Oct 28	Theory of Regulation	
3	Nov 2	Weak States and Incomplete Contracts: Tata Group in West Bengal, India and Amazon's Search for HQ2	Memo 1 Due: 8.30am LT 1 and 2 Debate
4	Nov 4	Corruption	LT 3 and 4 Debate
5	Nov 9	Intellectual Property Protection and Zerot	Memo 2 Due: 8.30am
6	Nov 11	Business and the South African Transition	
<u>Part 2: Business and Public Policy</u>			
7	Nov 16	Upward Mobility and Education Policy	
8	Nov 18	Race and economic opportunity in the United States	Memo 3 Due: 8.30am
9	Nov 30	Gender Discrimination and its Labor Market Consequences	Memo 4 Due: 8.30am
10	Dec 2	Immigration Policy	Memo 5 Due: 8.30am LT 5, 6, 9 Debate
11	Dec 7	Moderated Discussion on Diversity and Inclusion at SOM	
12	Dec 9	The Effects of the Pandemic, and Managing Pandemic Policy Responses	LT 7 and 8 Debate
13	Dec 14	Evidence-based policies: Program Evaluation, and Moving from Research to Implementation	

DETAILED OUTLINE OF CLASS MEETINGS

PART I: STATE INTERACTIONS WITH BUSINESS: THEORY AND EVIDENCE

Meeting 1 (Tuesday, October 26)

The State and Society Agenda

What is the state? What is society? How do they affect the conduct of business? Our course will begin by defining these concepts. States and social institutions vary across the world, embodying different societal rules and forms of government. Doing business in any country requires an understanding of its formal legal and political institutions, its demography, and its informal social institutions. We characterize each of these, and explain how they relate to one another, to the business environment, and to how we plan to study them in the course.

There is no required reading for the first lecture. We only ask that you review the syllabus carefully.

Optional Reading:

- *The Human Security Report 2013: The Decline in Global Violence: Evidence, Explanation, and Contestation*, pp. 18-27, posted on canvas.
- “[The Secret Document that Transformed China](#),” NPR Planet Money Blog, January 20, 2012.
- “[China’s New Tool for Social Control: A Credit Rating for Everything](#),” *Wall Street Journal*, Nov 28, 2016.

Meeting 2 (Thursday, October 28)

Theory of Regulation

There is a large body of scholarship in economics and political science that analyze the appropriate role of government in the operation of markets. Regulations can stifle business, but they may also be required to protect the interests of various members of society. Under what conditions are government interventions efficiency-enhancing, and under what conditions do they impede efficient market transactions? These are important questions, because the major political movements in the Americas, Europe and elsewhere differ on the answers to these questions. Investigating these issues will require us to understand how markets work, when they fail, define the sources of market failures and explore when and how governments will likely intervene. We will study the theory of externalities, failures of collective action, and how asymmetric information undermines the efficient operation of markets.

Required Reading

- Ian Shapiro, “Three views of regulation.”
- Yale Insights, “Experiment to Save an Endangered Fish Holds Lessons for Policymakers,” <https://insights.som.yale.edu/insights/experiment-to-save-an-endangered-fish-holds-lessons-for-policymakers> (T. O’Callahan, A. Mushfiq Mobarak and A. Gonzalez-Lira)
- Anand, Khanna, and Rivkin, “Market Failures”, Harvard Business School: Note, April 2000

Optional Reading

These are classic papers on how markets function. Each of these papers was primarily responsible for the Nobel Prize subsequently awarded to its author.

- Ronald Coase (1960), “The Problem of Social Cost,” Journal of Law and Economics, Vol. 3 (Oct., 1960): 1–44, doi:10.1086/466560.
- George A. Akerlof, “The Market for “Lemons:” Quality Uncertainty and the Market Mechanism,” The Quarterly Journal of Economics, Vol. 84, No. 3. (Aug., 1970), pp. 488-500

Meeting 3 (Tuesday, November 2)

Weak States and Incomplete Contracts: Tata Group in West Bengal, India and Amazon's Search for HQ2

First learning team debate (Presentations by LT1 and LT2)

Memo 1 due at 8:30am

The term *failed state* conjures up contemporary Afghanistan, South Sudan, or Libya. Probably no one in this course is currently planning business ventures in any of them. However, many of you will be in positions that may require you to conduct business transactions in countries where market-supporting institutions may be weak or deficient in some way. Those different legal and political “rules of the game” may introduce some risk to your business. We will begin by introducing students to “The Theory of Incomplete Contracts”, which is the standard law and economics framework that makes use of simple game theory to analyze these issues. We will then turn to the real-world empirical relevance of these theories by discussing cases from Thailand and United States. We will then do a deep dive into Tata's effort to build a plant for their Nano “People's Car” in Singur, West Bengal, India, and Amazon's failed attempt to build a second headquarters in New York City. We will discuss why Tata and Amazon both failed in these seemingly routine ventures. How much can be attributed to politics and the state? How much of the trouble arises from economic stress? Other factors?

Required Reading

- “Thais make a mess of their muddling,” *Financial Times*, June 22, 1993
- “The Brave New World of General Motors,” *The New York Times*, Oct 26, 1997
- Laura Alfaro et al, “Tata Motors in Singur: Public Purpose and Private Property. (B)” HBS.
- Alex Kasavin, “Amazon: The search for HQ2”.

Optional Reading

- Maitreesh Ghatak, Dilip Mookherjee et al. “Land Acquisition and Compensation in Singur: What Really Happened?”
<http://personal.lse.ac.uk/ghatak/singur.pdf>
- “India Grapples with how to Convert its Farmland into Factories,” *New York Times*, September 16, 2008.
<https://www.nytimes.com/2008/09/17/world/asia/17india.html>
- Peggy Noonan, “Welcome to New York, Amazon. Now go home.” *Wall Street Journal*, Feb 21, 2019.

Meeting 4 (Thursday, November 4)

Corruption

First learning team debate (Presentations by LT3 and LT4)

Society and the state operate under different sets of rules in different countries. The institutional rules governing the conduct of business vary tremendously across the world. After an anti-corruption speech by then-World Bank President Jim Wolfensohn, President Suharto of Indonesia (whose family reportedly amassed 50 billion dollars in wealth during his 30-year reign) famously remarked, “What you call corruption, we call family values.”

Is corruption costly for a society, or does it simply “grease the wheels,” making business transactions more efficient, by circumventing bureaucratic red tape? We will begin the class by having two learning teams debate this question.

The professor will then present theoretical and empirical social science research on this, and other related questions, such as:

- What are the dynamic consequences of corruption?
- What strategies do firms employ when they operate in corrupt environments?
- How do policymakers curb corruption? Why is the corruption level in Norway so much lower than in Nigeria?

Required Reading

- “The Diplomat-Parking-Violation Corruption Index,” *New York Times Magazine*, December 10, 2006.
- “For Her Head Cold, Insurer Coughed Up \$25,865,”
<https://www.npr.org/sections/health-shots/2019/12/23/787403509/for-her-head-cold-insurer-coughed-up-25-865>
- “What the World’s Emptiest International Airport Says About China’s Influence,” *New York Times Magazine*, September 13, 2017

Optional Reading

- Fisman, “Estimating the Value of Political Connections,” *American Economic Review*, Sept 2001

Meeting 5 (Tuesday, November 9) Intellectual Property Protection and Zerit

Memo 2 Due at 8:30am

Visiting Speaker: Jon Soderstrom, Managing Director, Office of Cooperative Research, Yale University.

Patents build legal barriers around useful and innovative ideas, institutionalizing them as private property for fixed periods of time. Without patents, people would often lack the incentives to innovate to develop goods and services that require major investments. Patents enable people to recoup their investments and then some, but this can be at the cost of limiting access to lifesaving technologies by those in most urgent need of them. The first part of the lecture will use analytical frameworks to discuss the economic incentives and costs, and also the social and political ramifications of protecting intellectual property. In the second part, a guest speaker from the Yale Office of Cooperative Research (Jon Soderstrom) will lead a discussion on how these competing concerns played out in the case of Zerit, a key component of the first effective treatment of AIDS, and also the most lucrative drug ever developed at Yale University. Jon will take us through the saga that erupted over the availability of Zerit in South Africa, a country with one of the highest incidences of AIDS in the world at the time. The Zerit case, which became a transformative landmark in the licensing of drugs to developing countries, illustrates many of the dilemmas that arise in a world in which it typically costs more than \$1 billion to develop lifesaving drugs that often cannot be afforded by those who need them most.

Required Reading

- Ian Shapiro, Jaan Elias, and Jean Rosenthal, “Zerit,” Yale SOM Case # 17-011, 2017. <https://vol11.cases.som.yale.edu/zerit> (Yale students and faculty can log in with their NetID.)
- “India Stands Firm Against Coca-Cola,” *The New York Times*, September 5, 1977
- “Moderna, Racing for Profits, Keeps Covid Vaccine Out of Reach of Poor,” *The New York Times*, Oct 9, 2021, <https://www.nytimes.com/2021/10/09/business/moderna-covid-vaccine.html>
- “The Pandemic Is Showing Us How Capitalism Is Amazing, and Inadequate,” *The New York Times* Nov 14, 2020 <https://www.nytimes.com/2020/11/14/upshot/coronavirus-capitalism-vaccine.html>
- Athey, Kremer, Snyder, Tabarrok. “In the Race for a Coronavirus Vaccine, We Must Go Big. Really, Really Big.” <https://www.nytimes.com/2020/05/04/opinion/coronavirus-vaccine.html>

Optional Reading

- Bruce Berman, *From Ideas to Assets: Investing Wisely in Intellectual Property* (Wiley, 2001), pp. 485-95.
- Barder, Kremer and Williams, “Advance Market Commitments: A Policy to

Stimulate Investment in Vaccines for Neglected Diseases,” *Economists’ Voice*
February 2006

<http://www.bepress.com/cgi/viewcontent.cgi?article=1144&context=ev>

Meeting 6 (Thursday, November 11)

The Role of Business in the South African Transition

As of the early 1990s, smart people across the world thought that the racist regime in South Africa, ruled by a tiny white minority, would soon become a blood bath. Yet, in April 1994 South Africa held its first (of six) national democratic elections, defusing an escalating civil war. Much of this story is common knowledge, but what is not well known is that South African business played major roles at multiple stages of the transition, including in the final dramatic months when the entire process almost collapsed several times. Today’s class explores this business role, which dates back to the relationship developed between big business and the black trade union movement in the 1970s. It illuminates how business leaders think about their relations with politicians and labor organizations when regimes are either potentially unstable or in flux, and how businesses can overcome collective action problems in order to be effective.

Required Case: Ian Shapiro, Itumeleng Makgetla and Jean Rosenthal, “We Don’t Have to be Cuba; We Can Be Brazil: The Pivotal Role of Business in South Africa’s 1994 Reforms.” Yale SOM Case 13---010. <https://vol10.cases.som.yale.edu/south-africa-reforms> (Yale students and faculty can log in with their NetID.)

This raw case contains background material and interviews with many of the principals. You should read the whole case (front page of every tab) and watch as many of the embedded video interviews as you can.

Optional Reading

- Itumeleng Makgetla and Ian Shapiro, “Business and the South African Transition,” mimeo. 2016
- Courtney Jung, Ellen Lust, and Ian Shapiro, “Problems and Prospects for Democratic Settlements: South Africa as a model for the Middle East and Northern Ireland.” In Ian Shapiro, *The Real World of Democratic Theory* (Princeton UP, 2011), pp. 80--142.
- Ian Shapiro, “Democracy’s Fourth Wave? South Africa, Northern Ireland, and the Middle East Lecture”, available at:
<https://www.youtube.com/watch?v=CpZkPDYrZvg&list=PLh9mgdi4rNeyViG2ar68jkgEi4y6doNZy&index=12&t=0s>

PART II: BUSINESS AND PUBLIC POLICY

Meeting 7 (Tuesday, November 16)

Upward mobility and education policy

In this class we will consider how education policies affect upward mobility in the United States. We will focus on two types of policies. First, we will consider how access to higher education shapes the relationship between parent and child income. Second, we will consider the effects of changes in school finance on children's outcomes in the long run.

Required Readings: (Sufficient to read abstract and introduction of academic papers)

1. Chetty, Raj, et al. 2014. "Where is the land of opportunity? The geography of intergenerational mobility in the United States." *Quarterly Journal of Economics* 129.4: 1553-1623.
2. Related NYTimes article: <https://www.nytimes.com/2013/07/22/business/in-climbing-income-ladder-location-matters.html?module=inline>
3. Chetty, R., Friedman, J. N., Saez, E., Turner, N., & Yagan, D. (2020). Income segregation and intergenerational mobility across colleges in the United States. *The Quarterly Journal of Economics*, 135(3), 1567-1633.
4. Michelman, Valerie, Joseph Price, and Seth D. Zimmerman. Old Boys' Clubs and Upward Mobility Among the Educational Elite. No. w28583. National Bureau of Economic Research, 2021.

Optional Reading:

Jackson, C. K., R.C. Johnson and C. Persico. 2016. "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms," *The Quarterly Journal of Economics*, vol 131(1), pages 157-218.

Meeting 8 (Thursday, November 18)
Race and economic opportunity in the United States
Memo 3 Due at 8:30am

This class will discuss the historical and current differences in economic outcomes for individuals of different races and/or ethnicities, with a specific focus on the Black-white income gap.

Required Readings: (Reminder: sufficient to read only abstract/intro of academic articles)

1. Chetty, Raj, et al. 2020. Race and economic opportunity in the United States: An intergenerational perspective. *Quarterly Journal of Economics* 135.2: 711-783.
2. Bayer, Patrick, and Kerwin Kofi Charles. 2018. "Divergent paths: A new perspective on earnings differences between black and white men since 1940." *The Quarterly Journal of Economics* 133.3: 1459-1501.
3. Bertrand, M. and Mullainathan, S. 2004. Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination. *American Economic Review*, 94(4):991–1013.

Optional:

1. UNC Wins Affirmative Action Case, for Now. Inside Higher Ed, October 19th, 2021. <https://www.insidehighered.com/admissions/article/2021/10/19/unc-wins-affirmative-action-case>
2. Harvard Won a Key Affirmative Action Battle. But the War's Not Over. The New York Times, Oct 2, 2019. <https://www.nytimes.com/2019/10/02/us/harvard-admissions-lawsuit.html>

Meeting 9 (Tuesday, November 30)

Gender Discrimination and its Labor Market Consequences

Memo 4 Due at 8.30am

President Obama famously highlighted a persistent gender wage gap in the U.S. labor market during his State of the Union Address, and many times thereafter: “Today, the average full-time working woman earns just 77 cents for every dollar a man earns...in 2014, that’s an embarrassment. It is wrong.” Is this 23% gap a result of gender discrimination in the labor market, or does it reflect other work, life, sector, hours, and educational and training choices men and women make? How much of the gap can be explained by market forces? We will learn from the large literatures in economics, sociology, political science and psychology that explore the sources of gender wage gaps. We will discuss how social norms and expectations may mediate women’s and men’s life and career choices, which ultimately result in pay differentials in a market equilibrium. This will force us to think about the role that each of us plays, through the dating/education/marriage/parenting/career choices we make, or even the informal conversations we have each day, in perpetuating the differentials. Finally, we will discuss company and country-level policies that can address gender differentials in pay.

Required Reading

- The Economist, February 6, 2020. “Economists discover the power of social norms,” <https://www.economist.com/finance-and-economics/2020/02/06/economists-discover-the-power-of-social-norms>
- “The Hidden Taxes on Women,” *New York Times* March 2, 2018 <https://www.nytimes.com/2018/03/02/business/women-hidden-taxes.html>
- Yale Insights, Feb 27, 2020. “When Women Speak, Do Others Listen?” <https://insights.som.yale.edu/insights/when-women-speak-do-people-listen>
- Vox.com, “The Truth about the Gender Wage Gap,” <https://www.vox.com/2017/9/8/16268362/gender-wage-gap-explained>
- Slate.com, “How Should Parental Leave Be Structured? Ask Iceland,” <https://slate.com/human-interest/2013/04/paternity-leave-in-iceland-helps-mom-succeed-at-work-and-dad-succeed-at-home.html>
- Claudia Goldin (2014). “A Grand Gender Convergence: Its Last Chapter,” *American Economic Review* 2014, 104(4): 1091–1119, <http://dx.doi.org/10.1257/aer.104.4.1091>

Optional Reading

- “President Obama’s persistent ‘77-cent’ claim on the wage gap gets a new Pinocchio rating,” *Washington Post*, April 9, 2014.
- Leonardo Bursztyn, Thomas Fujiwara, Amanda Pallais, “ ‘Acting Wife’: Marriage Market Incentives and Labor Market Investments,” *American Economic Review* 2017, 107(11): 3288–3319, <https://doi.org/10.1257/aer.20170029>
- Marianne Bertrand, Emir Kamenica and Jessica Pan, “Gender Identity and Relative Income within Households,” *The Quarterly Journal of Economics* (2015), 571–614. doi:10.1093/qje/qjv001.

- Henrik Kleven et al (2019), “Child Penalties Across Countries: Evidence and Explanations,” *American Economic Association Papers and Proceedings*.
- Marianne Bertrand, “Coase Lecture – The Glass Ceiling,” *Economica* Vol 85, Issue 338, April 2018, pp 205–231,
<http://onlinelibrary.wiley.com/doi/10.1111/ecca.12264/full>

Meeting 10. Immigration Policy (Thurs, Dec 2)

Third Learning Team Debate (Presentations by LT5, LT6 and LT9)

Memo 5 Due at 8.30am

258 million people, or about 3.4 percent of the world’s population, live outside their country of birth (United Nations estimate in 2017). This large movement of people has potentially large economic effects in both sending and receiving countries. Concerns about those economic effects, attendant socio-cultural changes, and potential security challenges are shaping global politics today. This lecture will primarily refer to economics models and data to analyze the economic effects of migration on host economies. As future business leaders, if we care about economic growth and productivity, how should we think about immigration policy? Is this an opportunity or a burden? Additionally, we will devote some time to evaluate the socio-cultural and security concerns that are important drivers of migration politics and policies.

Required Reading

- Yale Insights Animation, “The Economic Benefits of Immigration,”
<https://www.youtube.com/watch?v=6nCY2Ncvk-g>
- The National Academy of Sciences, Press Release, September 21, 2016.
<https://www.nationalacademies.org/news/2016/09/new-report-assesses-the-economic-and-fiscal-consequences-of-immigration>
- Vox.com, March 17, 2017. “President Trump said a major report found immigration hurt the economy. 2 authors respond,” <https://www.vox.com/the-big-idea/2017/3/17/14951590/nas-report-immigration-economy-taxpayers-trump>
- NPR, December 28, 2017. “Want to Help Someone In A Poor Village? Give Them a Bus Ticket Out.”
<https://www.npr.org/sections/goatsandsoda/2017/12/28/572911406/want-to-help-someone-in-a-poor-village-give-them-a-bus-ticket-out>

Optional Reading

- Michael A. Clemens, 2011. “Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?” *Journal of Economic Perspectives*, 25 (3),
<https://www.aeaweb.org/articles?id=10.1257/jep.25.3.83>
- Abramitzky, R., L. Boustan, and K. Eriksson, Do Immigrants Assimilate More Slowly Today than in the Past?” *AER: Insights* 2020, 2(1): 125–141
<https://doi.org/10.1257/aeri.20190079>

Meeting 11. Moderated Discussion on Diversity and Inclusion at SOM (Tuesday, December 7)

(Why) is diversity important at SOM and as a leader? How do the past four lectures on race, gender, ethnicity, and national origin tie to your own experiences with diversity and inclusion?

Guest facilitator Becca Constantine, SOM '19, is an independent strategy consultant who brings nearly a decade of experience working with multinational corporations and academic institutions to reduce organizational bias. Becca will facilitate a cohort discussion on the topics from recent class sessions and how they connect to students' professional experiences.

Required Reading

- Greater Good Science Center, September 18, 2017. "How Diversity Makes Us Smarter,"
https://greatergood.berkeley.edu/article/item/how_diversity_makes_us_smarter
- McKinsey & Company, January 2015. "Why Diversity Matters,"
<https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/why%20diversity%20matters.pdf>

Assignment Due

- Brief survey due Sunday 12/5 by 8 PM:
http://yale.qualtrics.com/jfe/form/SV_3CsbBOHn9LrWloO

Meeting 12 (Thursday, December 9)

Pandemic Policy Responses and the Effects of the Pandemic on the Poor

Fourth Learning Team Debate (Presentations by LT7 and LT8)

This session will discuss variation in appropriate country-level policy responses to the COVID-19 pandemic. To do this, we need to first develop an analytical framework that forces us to confront how we should value human life. We will analyze an infamous memo that Dr. Larry Summers (then-Chief economist of the World Bank, and former Treasury Secretary, President of Harvard, and Chief Economic Advisor to President Obama) wrote to his colleagues in preparation for the World Bank 1992 *World Development Report* on "Environment and Development". The dual goals of environmental protection and economic development can create some fundamental tradeoffs and tensions, and evaluating those tradeoffs forces us to confront the value of human life.

We will then apply this framework to the question: *Should low-income countries pursue the same social distancing guidelines and lockdowns widely adopted in Europe and North America?* Social distancing lowers disease risk by limiting people's economic opportunities. Poorer people are less willing to make those economic sacrifices. They

place relatively greater value on their livelihood concerns compared to the risk of contracting COVID-19. How should we evaluate those tradeoffs?

Readings:

- December 12, 1991 Memo to World Bank Staff from Larry Summers, <http://www.whirledbank.org/ourwords/summers.html> ([Links to an external site.](#))
- Ahmed Mushfiq Mobarak and Zack Barnett-Howell, “Poor Countries Need to Think Twice about Social Distancing,” *Foreign Policy*, April 10, 2020, <https://foreignpolicy.com/2020/04/10/poor-countries-social-distancing-coronavirus/>
- Mushfiq Mobarak, “Saving Lives Saves Livelihoods,” *Foreign Policy*, March 9, 2021, <https://foreignpolicy.com/2021/03/09/coronavirus-pandemic-lockdown-regulations-caribbean/>
- Ahmed Mushfiq Mobarak and Rifaiyat Mahbub, “What the US can learn from how African countries handled COVID”, *CNN*, November 3, 2020, <https://www.cnn.com/2020/11/03/africa/africa-coronavirus-lessons-opinion-intl/index.html>

Optional Reading:

- Chetty et al., “The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data,” https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf
- Miguel, E, Mobarak AM. 2021. “The Economics of the COVID-19 Pandemic in Poor Countries.” *Annual Review of Economics*. <https://elischolar.library.yale.edu/egcenter-discussion-paper-series/1089/>
- New York Times. “This Country Fought Ebola. It May Beat Another Disease,” June 16, 2020. <https://www.nytimes.com/2020/06/16/opinion/poor-countries-coronavirus.html>

Meeting 13 (Tuesday, December 14)

Program Evaluation and Evidence-based Policy-Making

In the worlds of economic development policy, philanthropy, corporate social responsibility, and overseas development assistance, there has been a strong and sustained move towards “evidence-based policies” over the last two decades, culminating in the 2019 Nobel Prize in Economics awarded for the popularization of randomized controlled trials (RCTs) to rigorously evaluate and inform development policies. The same techniques have also been applied in the field of “evidence-based medicine”, including decisions on whether to approve drugs and vaccines for human use. Rigorous evaluation also plays a role in public health policy, such as the guidance on mask use during a pandemic. RCTs have also become an important part of the managerial toolkit. Companies like Facebook, Netflix, Uber, Lyft, Airbnb, Amazon use the exact same

methodology and experimental techniques to sharpen marketing and other business decisions. This lecture will introduce students to the concepts of evaluation, counterfactuals, evidence-based policy, and then provide examples of how they are applied to guide decision-making in contemporary policy issues.

Required Readings

1. World Bank, Strategic Impact Evaluation Fund, “What is an RCT?” <https://vimeo.com/92748374>
2. Fossett, Gilchrist and Luca, “Using Experiments to Launch New Products,” *Harvard Business Review* Nov 5, 2018. <https://hbr.org/2018/11/using-experiments-to-launch-new-products>
3. NORMalizing mask-wearing to reduce COVID transmission <http://tinyurl.com/maskpromotion>
4. The Washington Post, “We Conducted the Largest Study on Masks and COVID-19: They Work,” <https://www.washingtonpost.com/outlook/2021/09/09/masks-randomized-study-bangladesh-covid/>
5. The Atlantic, September 4, 2021. “The Masks Were Working All Along.” <https://www.theatlantic.com/ideas/archive/2021/09/masks-were-working-all-along/619989/>

Optional Readings

1. World Bank, Strategic Impact Evaluation Fund, “Opportunities for Randomization” <https://vimeo.com/92939095>
2. Book about use of RCTs by businesses and large corporations: “The Power of Experiments: Decision Making in a Data-Driven World” by Bazerman and Luca. <https://mitpress.mit.edu/books/power-experiments>
3. C. A. Davis and A. M. Mobarak, “The Challenge of Scaling Effective Interventions: A Path Forward for Research and Policy,” *World Development*, v 127, March 2020 [Paper](#)

APPENDIX A: Case Memo Assignment

All students are required to write two Case Memos during the semester. You can choose any 2 from the prompts listed below, but subject to the constraint that your memo is due on Canvas no later than 8:30 AM on the day stated under each header below.

- Each memo should be two single-spaced pages in 12-point type with normal margins.
- Papers should use in-text citations.
- Please include a works cited page, which does not count toward the length requirement. i.e. – the third page of the document should be a works cited page.
- Students may use any academic citation style, but use should be consistent throughout the paper.
- Submit as Word.doc with the following naming convention:
SandS_ "*Cohort*" _ "*Name*" _ "*Memo XX*".doc

Grading Rubric:

- Point Allocations (out of 20 points):
 - Analysis (8 points)
 - Recommendations (8 points)
 - Specificity & feasibility
 - Justified with respect to context/analysis of underlying problem
 - Cost-benefit analysis
 - Style (4 points)
 - Clarity and brevity
 - Leverage course materials, details of context, and case facts

Memo 1. Weak States and Incomplete Contracts: Tata Group in West Bengal (due 8.30am on Thursday, November 2)

What were two most important mistakes that the West Bengal government made in its dealings with Tata Group over the Nano factory in Singur, West Bengal? Conversely, what are the two most important mistakes Tata made? How did these mistakes contribute to the failure of the deal? What would you have done differently?

Memo 2. Intellectual Property Protection and Zirit (due 8.30am on Tuesday, November 9)

Recent experience with SARS, Ebola and the COVID-19 reminds us that in today's world deadly viruses can spread like wildfire. Merck pharmaceutical company is working on a vaccine to target the Ebola virus that has spread through much of west and central Africa. Merck and its partner NewLink Genetics seem to have developed the most promising drug to date.

Consider the following fictitious scenario. The Food and Drug Administration indicates that it will authorize fast-track clinical trials for the drug. You are a marketing executive at Merck. A representative of senior management calls you and explains that, even with the cheaper fast-track process, the company is not going to be able to make enough money out of this drug, which is going to have to be given away or at best sold at cost across much of Africa. Your job is to write a damage control press release about why they will not be bringing the drug to market. You are appalled.

Drawing on your knowledge of the Zerit case, write a memo addressed to internal executives at Merck in which you explain why their decision to not bring the drug to market is a bad idea.

Memo 3. Yale and upward mobility to the "1%" (due 8.30am on November 18)

You are an advisor to Peter Salovey, the president of Yale. President Salovey wants Yale to help more students from low-income families advance to top positions in business and finance. What steps would you recommend Yale take to achieve this goal? Consider policies related to both undergraduate admissions and campus life, and support your arguments with empirical evidence. Finally, consider how existing Yale stakeholders may react to your proposal. Who do you expect to push back, and why?

Memo 4. Gender Discrimination and its Labor Market Consequences (due 8.30am on Thursday, November 30)

You are writing this memo as an external advisor to the CEO of a large multinational fashion retail chain headquartered in the US. The CEO has been invited to speak at a roundtable event with senior federal government and state government policy makers on diversity and inclusion within the workplace, with a focus on gender.

The CEO would like details on what one cause of the gender wage gap in the labor market may be. Secondly, the CEO would like advice on policy prescriptions they may discuss with the government policy makers to try and overcome this cause. Finally, the CEO would appreciate any advice you may have on policies that may be considered for the organization itself to overcome this cause.

Memo 5. Immigration Policy (due 8.30am on Thursday, December 2)

You are an advisor to the President of a Lower-Income or Lower-Middle-Income-Country of your choice. Write a memo to the President advising him/her about the benefits and costs of emigration *away* from your country. Whenever possible, support any piece of advice that you give with rigorous evidence. Such memos are most helpful when the advisor takes a stance based on the weight of the evidence.

APPENDIX B: Learning Team Debates

The two learning teams will be invited to debate these issues in class and present short rebuttals to the other group's presentation, so please come prepared to defend your case, and debate your classmates orally.

1. **Time limit:** 3 minutes presentation + 2 minutes rebuttal.
2. Identify a **single speaker**, and perhaps an additional rebuttal speaker. Of course, all team members are expected to be involved in preparation for the presentation. A poll shall be sent following the meeting to gather peer grades.
3. Feel free to use slides or other presentation support you like, staying within the time limit. However, please note that **no additional grades or preference are given for slides / presentation material**. In other words, feel free to not use slides if you prefer and no penalty will be in place. We discourage using slides for the rebuttal, because you should engage directly with the opposition's points instead of delivering additional pre-prepped remarks.
4. **Please send an email identifying the speakers and containing any slides to be used in the debate to** Professor Mobarak (ahmed.mobarak@yale.edu) and cc Elijah Maletz (elijah.maletz@yale.edu) and relevant cohort TAs (available on page 2 of syllabus).

We will poll your classmates at the start of the debate, and again at the end to get a sense of whether you've moved your classmates' priors with your arguments. The *change* in your classmates' views will *partly* determine your group's debate grade. This system is designed to reduce the likelihood that the strength of your classmates' priors about the issue affects your grade.

In your presentations, make arguments backed by evidence to the extent possible, which will force you to evaluate whether the evidence you are citing is rigorous. To prepare an effective rebuttal, you may also want to research the other team's position, so that you are prepared to counter their arguments that are not backed by rigorous research.

Grading Rubric:

- Point Allocations (out of 13 points):
 - Evidence-Based Argument (5 points)
 - Persuasive description of the argument
 - Evidence-based analysis
 - Clarity
 - Successful Rebuttal (3 points)
 - Relevant rebuttal to arguments made by opposition
 - Evidence-based arguments
 - Clarity

- Persuasion of class (3 points)
 - Based on change in class voting patterns
- Learning Team Peer Grading (2 points)
 - Based on peer grading of effort in preparation for the presentation

1. November 2: Debate on Amazon's Search for HQ2 (LT1 and 2)

LT1: Defend this view: "Amazon should not have run a bidding war between cities to identify a site for HQ2"

LT2: Defend this view: "Amazon issuing an RFP was a societally efficient way to search for HQ2, in order to identify the best match".

2. November 4: Debate on Corruption and Economic Performance (LT 3 and 4)

Corruption is highly pervasive in many economies around the world, especially those that are developing; however, research is mixed on the economic consequences of corruption.

LT1: Make the case that corruption and bribery can be efficiency-enhancing in the face of inefficient bureaucratic delays. Corruption can improve the workings of a bureaucracy or government.

LT2: Highlight the economic costs of corruption. Argue against the case that corruption is efficient.

3. December 2: Debate on Immigration Policy (LT 5, 6 and 9)

Governments around the world take different policy approaches to determine which immigrants are allowed to settle and those which are not.

LT5: Make the following case: "The United States should adopt an immigration system that attracts high-skilled workers, such as the "points system" approach pursued by Australia and Canada."

LT6: Make the following case: "The United States should continue to pursue its current system of family-based and employment-based immigration."

LT 9: Make the following case: "The United States should re-think its immigration policies, and introduce a system that pays attention to other goals, such as the economic needs in particular sectors and occupations, as well as diversity in immigrants' countries of origin."

Given the 3-way debate, LT6 will do rebuttal of LT5's points, LT9 will do a rebuttal of LT6's points, and LT5 will do a rebuttal of LT9's points.

4. December 9: The Costs and Benefits of Social Distancing Policy in Rich and Poor Countries (LT 7 and 8)

Social distancing is being used as a major policy lever by governments around the world, including in low-income countries, to help curb the spread of COVID-19 and “flatten the curve”.

LT7: Argue that low-income countries absolutely need to impose strong social distancing guidelines.

LT8: Argue that low-income countries should not impose social distancing given the impact on economic livelihoods