

Indian School of Business
Syllabus for Government, Society and Business
Last updated: March 10, 2020

Course information

Course : Government, Society and Business (GSBC)
Term : Term 8
Meeting time : Tuesday and Thursday, 12:30 PM to 2:30 PM
Location : Vikramashila AS3 LT

Instructor

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Office : Academic Square, Room 124
Office hours : Tuesday and Thursday, 10 AM to 12 noon

Course description

This course uses fundamental concepts in economics to discuss some of the key challenges facing businesses today. In the past a major concern for firms used to be battling antitrust lawsuits, but in the last few years the world's largest conglomerates have been quizzed for exerting monopsony power in the labor market (Amazon), damaging the environment (Volkswagen), sidestepping regulation (Uber) and violating privacy (Facebook). Businesses are not only under the scanner from governments, but also under pressure from citizen groups, activists and media, particularly those on social media, who are drawing attention to a trust deficit stemming from human rights concerns, lack of leadership on climate change and a low bar for health and safety standards. Tackling these vexed issues requires us to recognize that the business environment is no longer just affected by market factors (which can simply be solved by changes in pricing or management practices) but that 'non-market' factors are equally, if not more, crucial.

This course aims to cover aspects of the firm's non-market environment and is divided in three parts: first, we provide a broad overview of the state of world. In order to understand the specific and distinct nature of the problems we face today, we need to understand how we got here. We begin our study with one of the most central and lingering questions in economics which has to do with understanding why some countries develop, and others don't or develop slowly. The answers to this question will focus on both the fundamental and proximate causes of growth, and in this process help us better appreciate the social context in which businesses operate in India. We then examine how government actions and domestic/international politics influence firms' decisions. Here we study the role of interest groups, public advocacy and coalition building. This section concludes with a deep dive into regulatory capture and corruption. Finally, we discuss topics related to businesses and society such as the impact of NGO activism and news media; environmental sustainability frameworks; corporate social responsibility; invisible ways in which caste and gender norms continue to be relevant; and we conclude with a discussion on the ethics of artificial intelligence, algorithms, robotics and other moral dilemmas which could arise in the future.

Course materials

- *Required:* There is no required text book for this course. The course packet contains readings and the cases that will be discussed during the course. All course material can also be found online https://isbhydmoth-my.sharepoint.com/:f:/g/personal/aaditya_dar_isb_edu/EptIE_txvCtMplX0bkDGM7cBKTJIm8WzJeYkXSJxrFULKw?e=DhE9b4
 - Please contact Academic Associate Pavit Raina <pavit_raina@isb.edu> in case you have trouble accessing any of the readings.
- Students are also encouraged to read widely and follow #GSBC2020 on Twitter and https://www.youtube.com/playlist?list=PLzxnLw9SwmcY9jMg0IO9_IH5U8PXzFLCO on YouTube
- *Recommended text:* Baron, David. Business and its environment, 7th edition. Upper Saddle River, NJ: Prentice Hall, 2013.

Learning goals

The course aims to introduce models of economic behavior that provide a sophisticated understanding of non-market factors impacting businesses, so that managers are better equipped to face various social, political and ethical challenges at the workplace. At the end of the course students will be able to:

1. *Apply economic theory:* Students will learn to apply insights from economic theory to maximize shared value given regulatory, legal, political and social constraints
2. *Communicate effectively:* Student will learn to communicate clearly, using rigorous arguments and in persuasive manner.
3. *Think critically:* Student will identify key non-market issues in a business setting, develop a perspective that is supported with relevant information so as to draw correct conclusions.
4. *Imbibe an ethical responsibility:* Students should be able to identify ethical issues, understand the impact of a particular issue on various stakeholders and recognize the rights and responsibilities of the stakeholders.
5. *Build interpersonal awareness:* Students shall demonstrate an ability to work effectively in a team, exhibiting behavior that reflects an understanding of the importance of individual roles and tasks, and the ability to manage conflict and compromise, so that team goals are achieved

Grading

There is no pass/fail option for this course. The course will be graded using the following weights:

- *20% Memo:* Each student will prepare and submit a policy memo. The topic of the memo should be approved by the instructor beforehand. The memos should be no longer than 1,000 words and each memo will count towards 20% percent of the final grade.
- *20% Business and human rights case study:* This is a combination of a group- and individual-assignment (10 percent weight to each component) that requires you to analyze a case study and provide feedback that is going to be shared with the government/UNDP on the national draft action plan for business and human rights. The case studies will be provided by the instructor.
- *40% Think-piece and presentation:* This is a group-assignment that requires you to apply issues/concepts learned in class to a real-world problem (that has not been covered in class or

was discussed only cursorily). The word limit for the think-piece is 2,000 words. A list of suggested topics will be provided but students are free to choose a topic outside that list. Teams will also need to make a 5-minute presentation to the class, which will be followed by a brief Q&A.

- *20% Class participation*: This is based on the quality (NOT quantity) of the comments and questions you ask. Everyone in the class will have enough opportunity to participate. Since much of the learning in this course occurs in the classroom via the Socratic method, it is important that you participate regularly.

Assignments will be graded using ON coding scheme and they will be due on the following dates:

- Policy memo – session 5
- Business and human rights case study – session 8
- Think piece and presentation – session 10

The ON grading scheme can be found here:

<http://atrium:14825/Programmes/PGP/ASA/StudentManual/ISB-HonourCode/Pages/CodingschemeforALLcoursework.aspx>

Course schedule

The following topics are tentative and subject to change

Note: Readings marked with ❖ are compulsory whereas those prefixed with • are optional

1. Political economy of growth in India and introduction to nonmarket business environment

❖ *Case study: Reasons for recent economic slowdown in India*

Nagarj, R. (2020) Understanding India's economic slowdown

<https://www.theindiaforum.in/article/understanding-india-s-economic-slowdown>

Raghuram Rajan — India's Economy: How Did We Get Here and What Can be Done?

https://youtu.be/06uhetn_P5M

- Raghuram Rajan — India in the World: The “Vision” Thing <https://youtu.be/xR8xGpETAss>
- Chatterjee, E. and McCartney, M. (2020) *Class and Conflict: Revisiting Pranab Bardhan's Political Economy of India*. Oxford University Press, Chapter 1 and 2 only
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, 1, pages 385-416 only
<https://www.sciencedirect.com/science/article/pii/S1574068405010063>
<https://youtu.be/IYhJSdM2ffQ>
- Banerjee, A., & Iyer, L. (2005). History, institutions, and economic performance: The legacy of colonial land tenure systems in India. *American economic review*, 95(4), 1190-1213.
<https://www.aeaweb.org/articles?id=10.1257/0002828054825574>

2. Human capital challenges facing India: education, health and nutrition

❖ *Case study: Universal basic income*

- Bardhan, P. (2019) NYAY e-Symposium: The case for a universal basic income supplement <https://www.ideasforindia.in/topics/poverty-inequality/nyay-e-symposium-the-case-for-a-universal-basic-income-supplement.html>
- ❖ Banerjee, A., Niehaus, P., & Suri, T. (2019). Universal basic income in the developing world. *Annual Review of Economics*.
https://econweb.ucsd.edu/~pniehaus/papers/UBI_AR.pdf
- The idea of a universal basic income in the Indian context
<https://www.ideasforindia.in/topics/poverty-inequality/introduction-to-e-symposium-the-idea-of-a-universal-basic-income-in-the-indian-context1.html>
 - Khosla, S. (2018). *India's Universal Basic Income: Bedeviled by the Details*. Carnegie Endowment for International Peace, Chapter 3 and 4 only
https://carnegieendowment.org/files/CEIP_Khosla_Report_FNL_w_covers.pdf
 - Asher, S., Novosad, P. and Rafkin, C. (2018) Intergenerational Mobility in India: Estimates from New Methods and Administrative Data <http://www.dartmouth.edu/~novosad/anr-india-mobility.pdf>
 - Banerjee, A. V., Banerjee, A., & Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. Public Affairs, Chapter 3 and 4 only
 - Ray, D. (1998). *Development economics*. Princeton University Press, Chapter 8.4 only
 - Todaro, M., & Smith, S. (2012). *Economic development*, 12th edition. Pearson, Chapter 8 only.

3. Non-market strategy formulation in face of policy uncertainty and political risk: election cycles, political connections, lobbying and campaign finance

❖ *Case study: Radia and Essar Tapes*

- Kumar, A (2018) Radia Tapes: How One Woman's Influence Peddling Led to a Snake Pit. The Quint <https://www.thequint.com/explainers/what-are-niira-radia-tapes-explained>
- Venkataramakrishnan, R. (2016) From Radia to Essar: How corporate rivalries open a window on allegations of high-level corruption <https://scroll.in/article/810124/from-radia-to-essar-how-corporate-rivalries-open-a-window-on-allegations-of-high-level-corruption>
- ❖ Kapur, D., & Vaishnav, M. (Eds.). (2018). *Costs of Democracy: Political Finance in India*. Oxford University Press, pages 273-298 only
- Esteban, J., & Ray, D. (2001). Collective action and the group size paradox. *American political science review*, 95(3), pages 663-665 only <https://www.jstor.org/stable/3118240>
 - Baron, D. (2013) *Business and Its Environment*, 7th Edition. Pearson, Chapter 7 only
 - Faccio, M. (2006). Politically connected firms. *American economic review*, 96(1), 369-386.
<https://www.aeaweb.org/articles?id=10.1257/000282806776157704>
 - Ansolabehere, S., De Figueiredo, J. M., & Snyder Jr, J. M. (2003). Why is there so little money in US politics? *Journal of Economic perspectives*, 17(1), 105-130.
<https://www.jstor.org/stable/3216842>

4. Regulatory challenge, corruption and political economy of protectionism

❖ *Case study: Maggi*

Ramanna, Karthik, and Radhika Kak. "The Maggi Noodle Safety Crisis in India (A)." Harvard Business School Case 116-013, February 2016. (Revised June 2016.)
<https://store.hbr.org/product/the-maggi-noodle-safety-crisis-in-india-a/116013?sku=116013-PDF-ENG>

❖ *Case study: Alacrity construction and "ethical high ground"*

Ramakrishna Velamuri, S., Venkataraman, S., & Harvey, W. S. (2017). Seizing the ethical high ground: ethical reputation building in corrupt environments. *Journal of Management Studies*, 54(5), 647-675. <https://onlinelibrary.wiley.com/doi/full/10.1111/joms.12248>

- Sukhtankar, S., & Vaishnav, M. (2015). Corruption in India: Bridging research evidence and policy options. In *India Policy Forum* (Vol. 11, No. 1, pp. 193-276). National Council of Applied Economic Research.
<https://pdfs.semanticscholar.org/7d0d/343a236d9e52e7e973b1cbf249d42de9d648.pdf>
- Olken, B. A., & Pande, R. (2012). Corruption in developing countries. *Annual Review of Economics*, 4(1), 479-509.
<https://www.annualreviews.org/doi/full/10.1146/annurev-economics-080511-110917>
- Banerjee, A. V. (1997). A theory of misgovernance. *The Quarterly journal of economics*, 112(4), 1289-1332.
<https://academic.oup.com/qje/article/112/4/1289/1911735>
- Kapur, D. and Khosla, M. (2019) *Regulation in India: Design, Capacity, Performance*. Hart Publishing, Chapter 1 and 17 only

5. Business and human rights, and managing for sustainability in an era of climate change: shared value and corporate social responsibility

❖ *Case study: Niyamgiri and private politics*

https://www.banktrack.org/download/briefing_on_vedanta_and_the_niyamgiri_hills/vedanta.pdf

Kumar, K. (2014). The sacred mountain: Confronting global capital at Niyamgiri. *Geoforum*, 54, 196-206.

<https://www.sciencedirect.com/science/article/pii/S0016718513002510>

- Praxis (2019) Status of Corporate Responsibility in India: Is Human rights in Business limited to Rhetoric? Chapter 1 only
http://www.corporatewatch.in/images/Status_of_CR_Report_2019.pdf
- Praxis (2018) Status of Corporate Responsibility in India: Do Businesses Respect Human Rights? Chapter 1 only http://www.corporatewatch.in/images/CR_2018_Final.pdf
- Baron, D. (2013) *Business and Its Environment*, 7th Edition. Pearson, Chapter 3, 4 and 12 only
- Kitzmueller, M., & Shimshack, J. (2012). Economic perspectives on corporate social responsibility. *Journal of Economic Literature*, 50(1), 51-84.
<https://www.jstor.org/stable/23269969>
- CEO Activism <https://youtu.be/mavWJJobygw0>

- Robert Reich and David Vogel on Corporate Responsibility <https://youtu.be/OreAJnDuVzk>

6. Caste, religion, stigma, similarity and conflict

❖ *Case study: Ethnic violence in India*

- The Communal Violence (Prevention, Control and Rehabilitation of Victims) Bill, 2005
<https://prsindia.org/billtrack/the-communal-violence-prevention-control-and-rehabilitation-of-victims-bill-2005-165>
https://prsindia.org/sites/default/files/bill_files/legis1167477972_legislative_brief_communal_violence_bill_2005_FINAL.pdf
- PRS Legislative Research (2006) Summary of Sachar Committee Report
<https://www.prsindia.org/administrator/uploads/general/1242304423~Summary%20of%20Sachar%20Committee%20Report.pdf>
- Fisman, R., Sarkar, A., Skrastins, J., & Vig, V. (2018). Experience of communal conflicts and inter-group lending. *Journal of Political Economy*, Forthcoming
https://sites.bu.edu/fisman/files/2019/09/riot_experience_lending_as30.pdf
- Mitra, A. and Debraj, R. (2018) Hindu-Muslim violence in India: A postscript from the 21st century <https://debrajray.com/wp-content/uploads/2018/09/MitraRayHMViolence2018.pdf>
- Iyer, S. (2018). *The Economics of Religion in India*. Harvard University Press, Chapter 2 only
- Munshi, K. (2019). Caste and the Indian economy. *Journal of Economic Literature*, 57(4), 781-834. <https://www.aeaweb.org/articles?id=10.1257/jel.20171307>

7. Gender, cultural norms, misperceptions and social image

❖ *Case study: Female labour force participation in India*

- Afridi, F., Dinkelman, T., and Mahajan, K. (2017) Declining female labour force participation in rural India: The supply side <https://www.ideasforindia.in/topics/social-identity/declining-female-labour-force-participation-in-rural-india-the-supply-side.html>
- Pande, R. (2017) Getting India's women into the workforce: Time for a smart approach <https://www.ideasforindia.in/topics/social-identity/getting-indias-women-into-the-workforce-time-for-a-smart-approach.html>
- Bursztyn, L., González, A. L., & Yanagizawa-Drott, D. (2018). *Misperceived social norms: Female labor force participation in Saudi Arabia*. Working paper.
https://home.uchicago.edu/bursztyn/Misperceived_Norms_2018_06_20.pdf
- Bursztyn, L., Fujiwara, T., & Pallais, A. (2017). 'Acting Wife': Marriage Market Incentives and Labor Market Investments. *American Economic Review*, 107(11), 3288-3319.
<https://www.aeaweb.org/articles?id=10.1257/aer.20170029>
- Bursztyn, L., & Jensen, R. (2017). Social image and economic behavior in the field: Identifying, understanding, and shaping social pressure. *Annual Review of Economics*, 9, 131-153.
<https://www.nber.org/papers/w23013.pdf>
- Jayachandran, S. (2015). The roots of gender inequality in developing countries. *Annual Review of Economics*, 7(1), 63-88.
<https://www.annualreviews.org/doi/full/10.1146/annurev-economics-080614-115404>

- Introduction to e-Symposium: Women and work in India
<https://www.ideasforindia.in/topics/social-identity/introduction-to-e-symposium-women-and-work-in-india.html>

8. Social norms: trust, cooperation, altruism

❖ *Case study: Uber*

- Frances Frei (2018) How to build (and rebuild) trust <https://youtu.be/pVeq-0dlqpk> or <https://podcasts.apple.com/us/podcast/fixing-the-culture-at-uber/id1363110130?i=1000407999980>
- Ashraf, N., & Bandiera, O. (2018). Social incentives in organizations. *Annual Review of Economics*, 10, 439-463
<https://pdfs.semanticscholar.org/f3d8/5719eb5e435e3aa6d943f0dde66a967058a6.pdf>
- Alesina, A., & Giuliano, P. (2015). Culture and institutions. *Journal of Economic Literature*, 53(4), 898-944. <https://www.aeaweb.org/articles?id=10.1257/jel.53.4.898>
- World Bank (2015) World Development Report: Mind, Society, and Behavior
<http://documents.worldbank.org/curated/en/645741468339541646/pdf/928630WDR0978100Box385358B00PUBLIC0.pdf>

9. Ethics in the age of algorithms and big data

❖ *Case study: Amazon – balancing privacy concerns with business*

- Jobin, A., Ienca, M., & Vayena, E. (2019). The global landscape of AI ethics guidelines. *Nature Machine Intelligence*, 1(9), 389-399.
<https://www.nature.com/articles/s42256-019-0088-2>
- Rahwan, I., Cebrian, M., Obradovich, N., Bongard, J., Bonnefon, J. F., Breazeal, C., ... & Jennings, N. R. (2019). Machine behaviour. *Nature*, 568(7753), 477.
<https://www.nature.com/articles/s41586-019-1138-y.pdf>
- New Economic Thinking (2019) Are we ready to give up autonomy to AI?
<https://youtu.be/nt-KP0G9rf4>
- Awad, E., Dsouza, S., Kim, R., Schulz, J., Henrich, J., Shariff, A., ... & Rahwan, I. (2018). The moral machine experiment. *Nature*, 563(7729), 59.
<https://www.nature.com/articles/s41586-018-0637-6.pdf>

10. Symposium/student presentations

(Suggestive) Topics for policy memos

Students may choose any policy topic for a memo with the approval of the instructor or academic associate. Some useful references to aid selection of topic are as follows:

- Banerjee, A. et. al. (2019) Economic Strategy for India.
<https://www.uchicago.in/events/press-briefing-an-economic-agenda-for-the-next-five-years/>
https://www.dropbox.com/sh/zggimkymmv7z6kw/AACFJjHLXKGZ16tS_utqKdBRa?dl=0
- Centre for Policy Research (2019) Policy Challenges 2019-2024: The Key Policy Questions for the New Government and Possible Pathways
<https://www.cprindia.org/policy-challenges-2019-2024>
<https://www.cprindia.org/sites/default/files/Policy%20Challenges%202019-2024.pdf>
- Rajya Sabha Policy Watch
<https://www.youtube.com/playlist?list=PL5A1EFF827E94624E>
- Niti Aayog (2018) Strategy For New India @75
<https://niti.gov.in/strategy-new-india-75>
- Ideas for India e-symposium <https://www.ideasforindia.in/symposia.html>

The topic should have a well-defined scope. For example, students interested on writing on education could choose any aspect of the draft National Education Policy (NEP). Writing a generic memo on the NEP is too broad and instead students should focus on specific aspects such as curriculum and pedagogy (national curriculum framework), performance pay for teachers, teacher training, school governance, private school regulation, charter schools, vocational education, higher education etc.

https://mhrd.gov.in/sites/upload_files/mhrd/files/Draft_NEP_2019_EN_Revised.pdf

<https://www.ideasforindia.in/topics/human-development/introduction-to-e-symposium-ideas-for-reforms-in-education-policy-in-india.html>

You could also choose any other topical subject such as:

Personal Data Protection Bill <https://www.businesstoday.in/current/policy/personal-data-protection-bill-2019-central-government-power-may-undermine-privacy-of-citizens-people/story/392186.html>

Zero merchant discount rate <https://www.thehindubusinessline.com/opinion/columns/slate/all-you-wanted-to-know-about-the-zero-mdr-issue/article30559534.ece>

Nutritional labeling on packaged food <https://www.thehindu.com/news/national/why-is-it-taking-so-long-to-label-fast-food/article30368473.ece>

Reservation for women on corporate boards <https://indianexpress.com/article/gender/the-truth-about-women-on-corporate-boards-4990905/>

Whistleblowing policy and vigilance mechanism to prevent fraud <https://qz.com/india/1738116/infosys-troubles-put-spotlight-on-indias-whistleblower-laws/>

Electric vehicles policy <https://www.bbc.com/news/world-asia-india-48961525>

Regulating groundwater depletion <https://www.cprindia.org/policy-challenge/7870/regulation-and-resources>

Electricity reform <https://www.cprindia.org/research/reports/mapping-power-collection-insights-political-economy-electricity-indias-states>

(Suggestive) Topics for think piece/group presentation

Note: Groups can choose to represent one side of the question and the format of the symposium can be adapted to host debates between teams.

- Has corporate India failed to protect women at the workplace? [Discuss Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013]
<http://www.ficci.in/spdocument/20672/Fostering-safe.pdf>
- Should corporates be allowed to donate unlimited amounts to political parties? [Discuss electoral bonds] <https://www.orfonline.org/expert-speak/financing-elections-india-scrutiny-corporate-donation-49750/>
- Should there be quotas for SC/STs in private sector jobs?
<https://www.fortuneindia.com/workplace/caste-why-its-still-an-issue-for-india-inc-/100264>
- Is the 'gig economy' based on the exploitation of labour? [Discuss national action plan on business and human rights]
<https://www.business-humanrights.org/en/technology-and-human-rights-gig-economy>
http://www.mca.gov.in/Ministry/pdf/NationalPlanBusinessHumanRight_13022019.pdf
- How should regulation keep up with new and disruptive technologies? [Discuss: facial recognition, artificial intelligence etc.] <https://www.cprindia.org/news/7925>
- What can business do to fight climate change?

<https://www.forbes.com/sites/simonmainwaring/2018/10/25/why-and-how-business-must-tackle-climate-change-now/#7ab158b94712>

Students should feel free to suggest other 'big picture' ideas that are related to the themes covered in the course.

Course Policies

During Class

I understand that the electronic recording of notes will be important for class and so computers will be allowed in class. Please refrain from using computers for anything but activities related to the class. Phones are prohibited as they are rarely useful for anything in the course. Eating and drinking are allowed in class but please refrain from it affecting the course. Try not to eat in class as the classes are typically active.

Attendance Policy

I welcome all students who wish to engage with the readings and regularly participate in class. Accordingly, there is no mandatory attendance requirement. If you are absent, you will miss out class participation points and also the right to ask clarifications during office hours for the material covered in class during your absence.

Late assignments

Late assignments will be accepted for no penalty if a valid excuse is communicated to the instructor before the deadline. After the deadline, assignments will be accepted for a 50% deduction to the score up to 2 days after the deadline. After this any assignments handed in will be given 0.

LMS

We will use LMS on a regular basis to post announcements, documents, readings as well as your grades. Please get into the habit of checking LMS once or twice a week

Use of Email

Please prefix the subject line with [GSBC 2020:] when emailing me. In case you don't hear from me within 48 hours, please resend the email. Feel free to email to:

- Inform me about real emergencies and/or excused absences
- Send interesting articles related to topics we are covering in class
- Ask for brief clarifications on homework, problem sets, lectures or class policies (when possible, please send a screenshot)

However, please do NOT use email to ask for lengthy explanations on homework or problem sets. Such questions must be asked during office hours.

Academic Integrity and Honesty

Students are required to comply with the ISB's policy on academic integrity and honesty. Do not cheat and do not plagiarize. The honor code is available on ISB's website:

<http://atrium:14825/Programmes/PGP/ASA/StudentManual/ISB-HonourCode/Pages/default.aspx>

Accommodations for Disabilities

Reasonable accommodations will be made for students with verifiable disabilities. In order to take advantage of available accommodations, please contact the academic associate for the class. ISB affirms its commitment to maintain a work environment for all employees and an academic environment for all students that is free from all forms of discrimination.