

MGT 651
Regulation and Social Control of Business
Fall 2014
Anderson Schools of Management (ASM), University of New Mexico

Instructor: Shawn Berman
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Course goals

This course will focus on how actors from both government and society seek to exercise control over individual businesses, industries, and the institution of business. (Although we'll be spending a lot of time dealing with government regulation, the course will also encompass other means of changing business behavior by various stakeholder groups.) This elective is structured as a seminar, with lots of interaction among all present.

Here are some of the topics we'll be taking up during the course of the semester:

- why and how various business stakeholders seek to change the behavior of businesses
- industries, and the institution of business
- the classic rationales for government regulation
- the role of policy makers and government agencies in the regulatory process
- regulatory failures
- the role of activists and public-policy centers in shaping regulation
- non-regulatory means of exercising social control over business
- business responses to regulation (like lobbying, information strategies, and constituency building) and other efforts at social control of business activities
- the strategic uses of regulation by business
- particular topics within regulation, including deregulation, international and multilateral regulation, and the regulation of technology
- particular topics chosen by students.

In some sense this course is a course in part about current events, and we'll be using lots of current examples in addition to historical case studies.

Course materials

Materials for the first 5 classes (through 9/27) are found on WebCT.

Additional materials to be assigned and handed out in class. After the fifth week, readings will be assigned by the group leading discussion for the following week. Thus, the syllabus is sparse on required readings after the fifth week.

Students are required to buy one case from the Harvard Business School:
“Note of Pharmaceutical Industry Regulation”, Harvard Business School Publishing, Case No. 9-792-002

You are also **strongly encouraged** to subscribe to a business periodical (*Business Week*, *Financial Times*, *Fortune*, *The Economist*, *The Wall Street Journal*). We will spend the first ten minutes of each class session talking about current events as they relate to topics in the seminar.

Course requirements and grading

In developing course requirements and a grading scheme, I have tried to include a broad range of assignments that encompass not only the course material but also oral and written communication skills:

Class participation and engagement	20 %
Leading class discussion one week	20 %
Short papers (two, 12.5 % each)	25 %
Final project and individual presentation	35 %

Participation and Engagement. As a seminar, this class will rely heavily on input from every student, including yourself. The quality of the classroom experience will depend heavily on the participation and active engagement of the students. Therefore, attendance will be a critical element of our collective learning. More than three unexcused absences may result in an administrative withdrawal or a failing grade for the course. Equally important is active *class engagement* with the course material and with the other seminar participants.

Leading class discussion. Working in teams, each pair (or triumvirate) of students will be responsible for leading class discussion once during the semester. The discussion leaders will also be responsible for finding appropriate readings and discussion questions for the week they lead discussion. A sign up sheet will be available the second week for assigning students to the various weeks of student led discussions.

Short papers. Three short (1000-1250 words) paper topics will be assigned at various points during the semester. Students need to complete **two out of three** of these papers. Paper assignments and due dates are listed at the back of the syllabus.

Final Paper. Each seminar participant will choose a topic on some issue regarding the public control of business and write a 10-15 page research paper that will be presented on the day of the final exam. You must get my approval of your topic before Fall break. The types of topics that you could choose include:

- a critical analysis of a particular regulation or regulatory agency,
- an analysis of how a particular business or industry has responded to an attempt at social control of its behavior,
- some analysis of a controversy in the regulatory or public-issue literature,

- an analysis of how a particular public issue has led or might lead to attempts by various stakeholders at social control of particular businesses and industries, or
- an analysis of a international or multilateral regulatory issue.

I want the paper to be useful to you in your future work, and so I will likely accept almost any well-thought-through idea for your paper.

Policies and procedures

ACADEMIC INTEGRITY

Anderson School of Management faculty, staff and students commit to values of trust, honesty, integrity, and accountability. We will not tolerate academic dishonesty. By enrolling in any course at Anderson, the student accepts the Anderson Academic Honesty Code and affirms the following pledge:

I will not lie, cheat, fabricate, plagiarize or use any other dishonest means to gain unfair academic advantage.

Any violation of the code of conduct will be taken very seriously and appropriate sanctions will be applied. FOR FULL TEXT OF ANDERSON'S ACADEMIC HONESTY CODE, please visit <http://www.mgt.unm.edu/honesty>

ADA STATEMENT

Reasonable accommodation will be given to any individual with a legitimate disability. Please contact the instructor privately for arrangements. If you are a qualified person with disabilities who might need appropriate academic adjustments, please communicate with me as soon as possible so that we may make appropriate arrangements to meet your needs in a timely manner. Frequently, we will need to coordinate accommodating activities with other offices on campus. Course materials can be made available in alternative formats.

Readings and order of topics

- August 21: Introduction
- August 28: **Regulation: An Overview**
Dudley, Susan E., *A Primer on Regulation*, Susan E Dudley, Mercatus Center, George Mason University: Fairfax, VA. 2005.
- Public Goods:**
Weimar and Vining, Public Goods, pp. 71-91, from *Policy Analysis, 4th Edition*. Pearson-Prentice Hall: Upper Saddle River, NJ. 2005.
- September 4: **The Economics of Regulation**
Perfect Competition:
David Colander, "Perfect Competition" from *Economics, 2nd Edition*. Irwin Publishing: Chicago. 1995.
Market Failures:
Monopoly explained thanks to Wikipedia
Baumol and Blinder, "The Market Mechanism: Shortcomings and Remedies", from *Economics: Principles and Policy, 5th edition*. Harcourt Brace Jovanovich, Publishers, New York. 1991.
- September 11: **Examining Cost-Benefit Analysis**
Kopp, Krupnick, & Toman. 1997. "Cost-Benefit Analysis and Regulatory Reform: An Assessment of the Science and the Art", read to page 32.
- Shapiro and Schroeder. 2008. "Beyond cost-benefit analysis: A pragmatic reorientation", *Harvard Environmental Law Review, 31: 434-500*. Read to page 484.
Measuring regulatory effectiveness;
- September 18: **Strategic uses of regulation (1)**
George Stigler. 1971, "The theory of economic regulation", *Bell Journal of Economics, 2 (Spring): 3-21*.
- Barry Mitnick. 2001. "The Strategic Uses of Regulation – And Deregulation", *Business Horizons, 24 (Issue 2)*, p. 71-83.
- Hillman, Zardkoohi, and Bierman. 1999. "Corporate Political Strategies and Firm Performance: Indications of Firm-Specific Benefits From Personal Service In The U.S. Government", *Strategic Management Journal, 20:67-81*.

STUDENT LED DISCUSSIONS:

- September 25: **Strategic Uses of Regulation (2):**
- PAPER ASSIGNMENT 1 DUE**
- October 2: **Social control of business by non-governmental stakeholders (1): Primary stakeholders, I**
- October 9: **NO CLASS, FALL BREAK**
- October 16: **Social control of business by non-governmental stakeholders (2): Primary stakeholders. II**
- October 23: **Social control of business by non-governmental stakeholders (3): Secondary stakeholders (Please choose either activist groups or the media)**
- October 30: **Business Response to stakeholders**

November 6: **International aspects of the social control of business**

PAPER ASSIGNMENT 2 DUE

November 13: **No class**

November 20: “Note of Pharmaceutical Industry Regulation”, Harvard Business School Publishing, Case No. 9-792-002

PAPER ASSIGNMENT 3 DUE

November 27: **NO CLASS, THANKSGIVING BREAK**

December 4: Paper presentations; evaluations and course wrap up

FINAL PAPER DUE BY MIDNIGHT, THURSDAY, DECEMBER 11

EXPLANATION OF PAPER ASSIGNMENTS

Paper assignment one

Select any public policy related to the market failures that we have discussed thus far during the seminar. Then select an example of that public policy at the state or federal level. (For example, if you selected externalities as your market failure, you could select the federal government's Toxics Release Inventory regulation.)

In your paper, analyze whether (a) the particular regulation selected "fixes" the rationale for public policy and (b) whether there are superior, non-regulatory means of addressing that regulatory rationale that would work better in this case.

Paper assignment two

Write on the following topic: What goals should the government regulation of business seek to accomplish, and why?

Paper assignment three

Write on the following topic: From the standpoint of the social control of business, do you think that Ed Freeman's analysis of the "business sucks" story is correct, and why or why not? (Article handed out in class)