

Government and Business
A Comprehensive Examination of the Relationship Between Business and Government

Summer 2009 – Class Syllabus

Instructor: **Rabih Helou**
e-mail: **rhelou@gmail.com**
Office: Tydings 5103
Office Hours: TBD

This class aims to provide students with a thorough examination of the role of business in society. Beginning with some theoretical foundations, we will examine the shift (with a simplified 2 point analysis) from virtue to self-interest as the motivating force behind socio-political organization within a polity/state. We will study self-interest in more depth to understand the important role the firm is seen to play in an interest-based social organization. Once this brief theoretical foundation is set, we will be able to better frame policy positions taken vis-à-vis corporate actions and evaluate their consequences. We will then tackle Lindblom's classic *Politics and Markets* in order to gain insight on the role of the modern corporation within a democracy, or what he calls a polyarchy. We will study the corporation as powerful interest group, as critical pillar of state economic well-being, and powerful purveyor of cultural tendencies and norms.

The second part of the course will review recent developments in the market as we observe the changing nature of norms and political actions that may alter the role of the corporation within society. We study the shifts towards corporate self-regulation, corporate social responsibility, and social ventures. In the last week we will debate the future of government and business as it benefits, or hinders, the achievement of the public interest. What should become clear is that the firm is an important economic, as well as political institution, and that the political powers of persuasion do not solely reside in the lobbying power of the firms, or their special relationship with the state. Instead, the firm may also be subject to the persuasive powers of civil society elements and social pressures that force it to shift course to satisfy its "constituents." Whether or not this makes the firm a purveyor of the "public good" remains to be seen.

This class is non-ideological but welcomes all preconceptions and ideologies. People on the right will approve of our praising of the role of the corporation within the state. People on the left will be pleased about our focus on general social welfare including such hot topics as fair trade and environmental regulation. I will seek to show the firm as a political actor, and will leave it up to the student to decide what is good or not-so-good about its role in society.

Your grade will be computed as follows:

- 30% Class Participation
- 30% Midterm Exam
- 10% Critique of Movie “The Corporation” – can be found on youtube.com
- 30% Paper/Final Exam

Course Requirements – details on course grading

Class Participation

The course will consist primarily of on-line discussions in response to the readings and brief video lectures provided by the instructor. Your active participation in these discussions will be critical to your success in the course. If you do not do the readings in a timely fashion, you will not be prepared to make appropriate and insightful comments in response to the discussion questions the instructor will be posting on-line.

Midterm Exam

The midterm exam will be a combination of multiple choice questions, short answer identifiers (definitions), and one/two longer essay questions.

Readings

The readings may seem like a lot at first, but I will not test you on minute details within the readings. Instead, they are intended to provide you with introductions to the important topics covered by my own video lectures and discussions. What is most important is that you understand the topics and are able to place them within a larger conceptual framework around the role of business within society. I will be providing you with my own notes on the readings to help give you that necessary framework.

Paper

TBD

Theoretical Foundation			
Class/Date	Topic	Questions	Readings
1 – June 2 nd	Virtue and Interest	How would you describe the difference between the ancient’s view and the modern view? What does it mean to be a citizen? What would a society based on virtue be like? What would a society based completely on self-interest be like? What are some of the benefits of the utilitarian view? What are some of the issues that can arise from a utilitarian based society?	<p><u>Virtue</u>: Aristotle, Politics (Course Reserves)</p> <p><u>Reason</u>: What is Enlightenment (Course Documents)</p> <p><u>Interest</u>: Amartya Sen “Development as Freedom” pg. 58 – 63. Sections: Utility as an Information Base; Merits of the Utilitarian Approach; Limitations of The Utilitarian Perspective.</p> <p>- see also Utilitarianism on Wikipedia</p>
2 – June 4 th	Topics in Public interest versus Private interest	How has the relationship between business and government changed since mercantilist times? What did Adam Smith have to do with the rise of private power? What are some of the issues with the notion of the invisible hand? What are modern day examples of public goods? Can you summarize the logic of collective action?	<ul style="list-style-type: none"> - Adam Smith and The Invisible Hand (ELMS) - The Problem of the Commons: http://www.viswiki.com/en/Tragedy_of_the_commons - (optional) Harding article (Course Documents) <ul style="list-style-type: none"> - Watch videos: <ul style="list-style-type: none"> o http://www.youtube.com/watch?v=09nwr01UPXQ o http://www.youtube.com/watch?v=g8yOamWq3a0 - Olson, The Logic of Collective Action, p.1-16.
Two Opposing Views On The Firm			
Class/Date	Topic	Questions	Readings
3 – June 7 th	Managerial Perspectives: The Stakeholder Approach	Do you see the stakeholder theory of the firm as reasonable? Do we, as citizens in a state, have the right to ask the firm to consider more than just its own bottom line? Should board members and stockholders have the responsibility to uphold the stakeholder theory in practice? Does this resolve problems of public goods, or	<ul style="list-style-type: none"> - Donaldson and Preston “Stakeholder Theory of The Corporation” (Course Documents) - Freeman and Reed “Stockholders and stakeholders: A new perspective

		would more be required? Is it reasonable to consider internalizing the externalities?	on corporate governance” (Course Documents) - Externalities (Wikipedia)
4 – June 9 th	Managerial Perspectives: The Classis Approach		- Hayek (ELMS) - Friedman (ELMS) - The following videos are just for fun. It’s Friedman debating a well-intentioned, although slightly too inchoate student. - http://www.youtube.com/watch?v=iPqdRqacpFk - http://www.youtube.com/watch?v=ev_Uph_TLLo - Coase’s Theorem (wikipedia)
The Role of the Firm			
Class/Date	Topic	Questions	Readings
5 – June 14 th	State and Market	The study of political economics focuses on the balance between what two variables? How important are the social elements of control? Who wins in the battle for social control, governments or corporations? Is there something missing from Lindblom’s elements of social control, specifically in the persuasion and perceptoral systems?	Charles Lindblom, Politics and Markets, (1977) Parts I
6 – June 16 th	State and Market	Are the limits of government valid arguments against government intervention? Are the limits of the market sufficiently important that government intervention is in fact required?	Charles Lindblom, Politics and Markets, (1977) Parts II, IV
7 – June 21 st	State and Market	What are the consequences of the privileged position of business in society?	Charles Lindblom, Politics and Markets, (1977) Parts V
8 – June 23 rd	Criticisms of the traditional firm	What are some of the weaknesses in Korten’s arguments? What are some of the strengths? Would the stakeholder theory in practice resolve the issues Korten raises?	Korten chs. 4, 5, 6, 10, 12
9 – June 28 th	Midterm Exam	The mid-term exam will be a combination of multiple choice	

		questions, short answer identifiers (definitions), and longer essay questions.	
Pop Culture Critique			
Class/Date	Topic	Questions	Readings
10 – June 30 th	The Corporation	Watch the movie and write 3 page critique	Find movie on youtube
11 – July 2 nd	The Corporation	Watch the movie and write 3 page critique	Find movie on youtube
The Social Responsibility Movement			
Class/Date	Topic	Questions	Readings
12 – July 7 th	Corporate Social Responsibility	Does CSR mean that the corporation has become “good”? Is CSR sustainable? What is the political dynamic at play that Vogel describes without explicitly calling it out?	<ul style="list-style-type: none"> - David Vogel, The Market for Virtue chs. 1, 2, 3 - Oxford Handbook of Corporate Social Responsibility, Crane, McWilliams, Matten, Moon, and Seigel, eds, Oxford University Press, 2008. Ch. 13 (google books)
13 – July 9 th	Corporate Social Responsiveness	” It follows that our aspirations are toward liberal justice: an endorsement of limited but active popular self-rule in which free market economics is put in service to the political order, rather than the other way around (Elkin pp. 14–16).”	<ul style="list-style-type: none"> - Tocqueville Book II Part II Chapter 8 - Corporate Social Responsiveness, ch.3 - The Civil Corporation, Ch 5 - The federalist papers (#10, #51).
14 – July 10 th		What is the future of the corporation within society? Is Capitalism 2.0 possible? Is it a <i>good</i> thing that we can view the corporation as a political institution as well as an economic one?	<p>Klaus Schwab, How Business Can Help Save The World. Foreign Affairs, January/February 2008, p.107</p> <p>See Whole Foods vs Friedman article</p>