Context

Is there a place for protective regulations in a global market economy? Globalization exerts increasing pressure on producers, and many business managers and investors around the world react by claiming that labor and environmental regulations increase their costs and decrease their ability to compete. Likewise, elected leaders, hard-pressed to prevent these businesses from moving out and eager to bring new ones in, often respond by weakening or eliminating protective regulations altogether.

Meanwhile, the removal of regulatory protections exposes workers, members of underprivileged groups such as children, women, and undocumented immigrants, and all those who live near production sites to a range of negative externalities. Understandably, these individuals and their representatives, including NGOs, unions, community organizations, and some elected leaders, insist that nobody should be forced to live in unhealthy, hazardous, and depleted settings to promote economic development that can be limited in duration and scope. Faced with such a dilemma, what are policy-makers and public managers to do?

This course examines the challenge of regulating labor and environmental standards in developing countries. It identifies the origins and nature of the problem; the different solutions that have been proposed and implemented; the results that have already been achieved; and some of the challenges that remain ahead.
**Requirements**

There are two pre-requisites for this course:
- P11.1018 - Microeconomics for Public Management, Planning & Policy Analysis
- P11.1022 - Introduction to Public Policy

*(Or equivalent academic or professional background, with permission from the instructor)*

**Examination**

The course grades will be based on the following:

- Class participation – 20%
- Blog postings – 10%
- Policy memos – 30%
- Research paper (or research proposal) – 40%

**Class Participation**

This is a reading and discussion seminar and class participation will carry significant weight in determining final grades. Class participation is broadly defined as the student’s contribution to the intellectual life of our community, either during class time or in postings to the class listserv. Naturally, quality of contribution is more important than quantity, but it is always difficult to hit the bull’s eye with only one bullet, so quantity plays a role. Students who bring pertinent new materials and case examples from their own experience, from newspapers and magazines, and from other courses to the discussions will improve their participation grades.

**Blog Postings**

Students are also required to post, throughout the semester, a minimum of two entries on the class blog. These entries will account for 10% of the final grade and they will be graded on their insightfulness, pertinence to the discussion, and originality. Students are encouraged to post more than two entries and to comment on other people’s postings. Additional instructions (and examples of good entries) will be distributed in class.

**Policy Memos**

Those who intend to work in public service must learn how to write concise, persuasive, rigorous, and pragmatic memos. In this course, students will be required to write two policy memos on specific problems concerning protective regulations that will be handed out in class two weeks in advance of the deadlines (March 2\textsuperscript{nd} and April 6\textsuperscript{th}). Each memo must be no more than 3 pages long (12pt Times New Roman font, 1.5 spaced, 1” margins all around – these limits are rigid and will be enforced).

**Seminar Paper**

One research paper (10 to 15 pages long, plus bibliography – same formatting as the memos) will be due at the end of the course. Students are encouraged to incorporate ideas and issues discussed throughout the term into a comprehensive analysis of a topic of their choosing. Paper is due on May 7\textsuperscript{th} at 12PM (noon). Class time permitting, students will be asked to present their findings to other members of the seminar for feedback and critique.
SCHEDULE

SECTION I   UNDERSTANDING THE PROBLEM
January 19   Scope and reach of the problem
January 26   Academic interpretations: a race-to-the-bottom?
February 2   Regulations are here to stay: demand for regulation & regulatory capture

SECTION II   POLICY APPROACHES

Section II-a   Global solutions
February 9   A new architecture of global trade?

Section II-b   Private sector initiatives
February 16  The role of consumers: fair-trade
February 23  Upgrading in global supply chains
March 2      Supply chain management – 1st policy memo due
March 9      Managerial challenges
March 16     Spring recess – NO CLASS

Section II-c   The role of governments
March 23     The rule of law
March 30     Understanding Street-Level Bureaucracies
April 6      Enforcing regulations – 2nd policy memo due
April 13     Regulation as a lever of innovation

SECTION III   LOOKING AHEAD
April 20     Community-based regulation and problem-solving institutions
April 27     Presentations and reflections
May 7       Final paper due at 12PM (noon)
Readings

SECTION I  UNDERSTANDING THE PROBLEM

January 19  The global scope and reach of the problem

How pervasive are protective regulations and what happens in their absence? What are the different logics and arguments used to justify regulation and deregulation? Who loses and who gains from regulation and deregulation?


Larry Summers’ *World Bank memo*, 1991 (apocryphal) - link


January 26  Academic interpretations: a race-to-the-bottom?


Stiglitz, Joseph E. “*Democratic Development as the Fruits of Labor.*” Keynote Address, Industrial Relations Research Association (IRRA), Boston, January 2000

Rork, Jonathan C.; *Getting What You Pay For: The Case of Southern Economic Development*; Regional Analysis and Policy, 2005

Taylor, M. Scott “*Unbundling the pollution haven hypothesis*” (Advances in Economic Analysis & Policy 4(2), article 8, 2004)
**February 2   Regulations are here to stay: demand for regulation & regulatory capture**

*Is regulation vs. deregulation the right debate or should we take regulations for granted and question which kind of regulation instead? We read Karl Polanyi’s classic piece on the ‘double-movement’ to examine one of the driving engines of protective regulations, and then we consider why, sometimes, even large corporations lobby for more regulations.*


**SECTION II  POLICY APPROACHES**

**Section II-a   Global solutions**

**February 9   A new architecture of global trade?**

*The enforcement of labor standards is so thorny and intertwined with global economic conditions that many scholars and activists believe that protective regulations can only be enacted at the global level. This class examines the challenges surrounding the inclusion of ‘social clauses’ in trade treaties, at the multilateral (e.g. WTO), regional (e.g. NAFTA), and bilateral (e.g. US-Cambodia) levels. Time permitting, we will also examine transnational activism in both the labor and environmental fronts.*


Gallagher, Kevin, *Is NAFTA working for Mexico?* – link

**Section II-b  Private sector initiatives**

**February 16  The role of consumers: fair-trade**

*What role for customers?* Fair trade regimes are now ubiquitous in the developed world, but are they scalable and sustainable? Are people willing to pay more for green and labor-friendly products? And is it reasonable to expect that private firms, beset by competition, act in socially responsible ways?


**February 23  Upgrading in global value chains – 1st policy memo due**

*In developing countries, a large proportion of manufacturing activity takes place in industrial clusters. What determines whether these agglomerations of small firms will be competitive in the global market? And why is it that some groups manage to upgrade their capabilities and comply with labor and environmental standards, but others seem to be stuck in the ‘low-road’?*


March 2 Supply chain management

Can ‘big buyers’ such as Nike, Coca-Cola, Wal-Mart, and Gap be expected to monitor the behavior of their suppliers spread across the globe? What about second- and third-tier suppliers? How far can a corporation go, and what are the variables that help determine whether this control will be effective?


Locke, Richard M., Matthew Amengual and Akshay Mangla, Virtue Out of Necessity?: Compliance, Commitment and the Improvement of Labor Conditions in Global Supply Chains Politics and Society, 2009

March 9 Managerial challenges

Recent research has shown that non-compliance with labor and environmental standards in developing countries is in many ways a reasonable response to dysfunctional processes in the big corporations buying the products. This class examines these processes and the challenges associated with improving them.


Delmas, Magali A. Michael W. Toffel, Organizational Responses to Environmental Demands: Opening the Black Box, HBS, Working Paper, 2006

March 16 Spring recess – NO CLASS
Section II-c  The role of governments

March 23  The rule of law

This class examines how governments create the rules of the economic game, and how ultimately the rules are the game. Most of the existing literature on the make-or-buy decision revolves around contracts, opportunities for free-riding, and the challenges of appropriation. What often goes unsaid is that firms, when left to their own devices, often outsource their regulatory risks to those most willing to pay (or most likely to go undetected). To counteract this perverse tendency, governments try to pass laws that forbid the outsourcing of certain activities. This class uses cases from both Brazil and the US to examine these types of legal battles and their economic effects.

Coslovsky, Salo, The Creation of TST-331: Illegal Outsourcing in Brazil, draft memo

Misclassification of workers in New York – read the 2008 report (link) OR the 2009 report (link)

Upham, Frank, Mythmaking in the Rule of Law Orthodoxy, Carnegie Paper No. 30, September 2002 - link


Greenhouse, Steven, Dozen of companies underpay or misreport workers, state says, The New York Times, 2008 - link

March 30  Understanding Street-Level Bureaucracies

To a very large extent, the law is what law enforcers do. This class and the next introduce the concept of street-level bureaucracies, examine the main theories on how street-level bureaucrats use their discretion, assess the pros and cons of different approaches to street-level regulatory enforcement, and discuss some of the recent research that strives to create a new theory of front-line regulatory enforcement.

Lipsky, Michael, Street Level Bureaucracy: Dilemmas of the Individual in Public Service, Russell Sage Foundation Publications, 1983, chapter 2 (“Street-level bureaucrats as policy makers”), chapter 3 (“The problem of resources”), and chapter 5 (“Relations with clients”)


**April 6  Enforcing Regulations**


Attorney General of the State of New York, *In the Matter of M & T Pretzel Inc. and George Makkos* (pretzel case) - [link](#)

**SECTION III  LOOKING AHEAD**

**April 13  Regulation as a Lever of Innovation**

*Regulations are often portrayed as ‘sand in the wheels’ of economic activity, but a growing body of research has been showing that, under certain conditions, regulations can promote creativity and innovation. This class examines some of the underlying features of economic organizations that allow for regulations (and regulators) to assume this role.*


**April 20  Community-based regulation and problem-solving institutions**

*What have we learned so far? Does it make sense to talk about a developmental state for the 21st century? If so, what does it look like, and how does it operate?*

Sabel, Charles, Archon Fung, and Bradley Karkkainen, *Beyond Backyard Environmentalism: How communities are quietly refashioning environmental regulation* – link

Coslovsky, Salo, *How Brazilian Prosecutors Enforce Labor and Environmental Laws: The Organizational Basis of Creative Problem-Solving*, manuscript 2009

**April 27** Presentations and reflections