Business and Politics in a Globalized World
Political Science UN3962

Spring 2024

Monday & Wednesday, 8:40am-9:55am, 307 Uris Hall

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Course Description

Companies (or, as we'll mostly refer to them, firms) play a number of important roles in both domestic and international politics; among other activities, they create jobs, engage in trade and investment, create social responsibility programs, lobby governments, and create much of the world's pollution. How should we think about firms as political actors? Why, when, and how do firms attempt to influence policymaking? And when do they succeed?

In this course, we will study strategic collaboration, competition, and collusion between firms and governments in a range of settings and policy areas. To do so, we will draw on insights from international relations, economics, and business scholars, and we will frequently engage with current real-world examples of business-government relations. Topics will include (among others) lobbying, corporate social responsibility, taxation and tax avoidance, public-private governance, and corporate influence in foreign policy.

Learning Goals

After taking this class, students will:

- understand firms' structures, activities, and political impact;

- be able to identify and analyze business-government interactions, taking into account the preferences of different actors (e.g. elected officials, regulators, managers, shareholders, stakeholders, etc) as well as the institutions that govern them;

- be able to think critically and theoretically about how firms and governments might be able to find mutually beneficial (or at least, mutually *acceptable*) solutions to the problems that face them both.

Assignments and Grading

1. **Participation [20%]**
   My expectation is that all students actively engage with the readings, with me, and with each other. For this course, active engagement means:

   - Attending class each week, having completed the assigned reading(s). I encourage you to take careful notes on each of the week's readings, both as a reference for class discussion and as a way to structure your own thinking.

   - Participating in classroom discussion, activities, and generally being involved in what is going on in class.

2. **Business and politics in the news [30%]**
   One of the best ways to build knowledge of business-government relations is to read the news. Columbia students have free access to most of the outlets that offer the best specialized coverage of business and politics—including Financial Times, the Economist, and the Wall Street Journal—through the library. I encourage all students in this class to read the global business news regularly.

   Students will be asked to submit **two news analysis memos** (1.5-2 pgs, double-spaced) over the course of the semester based on news articles that they discover. For each of these memos, students will:

   (a) Identify a news story about a firm (or multiple firms) interacting with some type of government (national, local, international, etc). Make sure that the story in question is cited (including a link to an online version) somewhere in the memo.

   (b) In one paragraph, summarize the content of the news story, centering the primary event/tension/debate of interest.

   (c) Identify each of the relevant *actors* in the story (such as the firm, the UN, a national government, a labor union, etc).

   (d) Identify 1-3 key political *institutions* (international treaties, labor policy, trade policy, supreme court ruling, democracy, etc) that play a role in the story, and **briefly** (in no more than 1-2 sentences) describe how each one shapes the interaction between the actors. Note that institutions may be relevant even if they do not yet exist; for example, the **threat** that a government might implement a given regulation in the future may be a key factor motivating a firm's actions.

   (e) Finally, in one paragraph, reflect on the following question: regarding the situation at hand, are the interests of the firm(s) and the interests of the government aligned? Partially aligned? Misaligned? Explain your reasoning.

$\Rightarrow$ **Memo 1, worth 15% of the course grade, is due by Feb. 26th at 11:59pm.**

$\Rightarrow$ **Memo 2, worth 15% of the course grade, is due by Apr. 1st at 11:59pm.**[1]

3. ## Midterm exam [20%]

The midterm exam will consist of several short-answer questions that ask students to apply concepts learned in class so far. More detail will be provided as the midterm date approaches.

$\Rightarrow$ **The Midterm exam will be held on Monday, March 04.**

4. ## Policy brief [30%]

For the final assignment, you will assume the role of a policy advisor (with a specialty in business-government relations) to a national government of your choice. Your goal is to inform policymakers within the government about the current state of a key policy area that involves firms, and to provide them with recommendations about how (and how *not*) to approach this policy area in the future.

- You will choose **one** pressing policy area in which firms play a key role; examples include but are not limited to climate change, international taxation/tax avoidance, labor rights and labor policy, AI regulation, etc.
- You should begin your brief with a short summary of the policy area, and a justification for its importance to the government.
- Within this policy area, you will identify **three** specific issues that you believe are most deserving of the government's attention. For example, if you chose international trade policy, your three issues might be: (1) corporate lobbying on tariff rates; (2) forced labor in firms' supply chains; (3) national security risk arising from trade dependency with a hostile regime.
- For each of your three issues, you will explain the nature of the issue as well as its political consequences. **You will also** identify one real-world example, involving one or more firms, for **each** of the three issues; these examples will help you explain the issues and their ramifications to your (non-expert) leader. Each example should be accompanied by at least one citation.
- Finally, you will provide the government with two policy recommendations. These recommendations can focus on one of your three issues, or they can cover multiple issues.
  - **First**, you will recommend a policy (or series of policies) that the government *should* pursue in order to address the issue(s) at hand. Drawing on course material, explain why your recommendation—if implemented—would have positive consequences (creating jobs, reducing pollution, etc).
  - **Second**, you will identify a policy (or series of policies) that the government *should not* pursue in order to address the issue(s) at hand. Drawing on course material, explain why the policy you identify—if implemented—would have negative consequences (hurting economy, creating electoral backlash, etc).

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[1]This is not an April Fools' Day prank! It is real.

There is no strict length requirement for this assignment; however, I imagine that a thorough policy brief would be somewhere close to 8 pages (double-spaced).

⇒ **The policy brief is due by Monday, May 06 at 11:59pm**.

Course Policies

Academic integrity

Please familiarize yourself with Columbia's policies on Academic Integrity and Responsible Conduct of Research, all of which we will adhere to in this class. To highlight two such policies that are especially relevant to this course:

- When you reference somebody else's work, no matter how passingly, you need to cite it. If you do not, you are plagiarizing.

- Recycling text or results from your own past work without attribution, and/or submitting the same paper for multiple classes without express permission from the instructors, is also plagiarism. If you have questions or concerns about this, please note that this is a situation in which asking permission is *vastly* preferable to begging forgiveness.

Violation of my ChatGPT/LLMs policy (see below) will also be considered plagiarism.

Respect and equity in the classroom

I am committed to creating a safe, equitable, and open environment in which all students can feel comfortable participating in discussion.

First: **absolutely no racism, sexism, homophobia, transphobia, xenophobia, religion-based descrimination, or other discriminatory behavior will be tolerated in this class.** None of us are perfect, but my expectation is that we will all try our best and keep learning.

Second: as social scientists, we know that universities are plagued by systemic, *structural* inequities that manifest in a wide variety of settings. One of those settings is classroom discussion. I encourage all of you to be mindful of your own engagement—how often you are speaking, the tone and language that you use when addressing other students, whether you are interrupting others—to ensure that you are not unintentionally perpetuating these inequities.

Accommodations

Students who require academic accommodations must make an official request with Columbia's office of Disability Services. If you believe you will need accommodations at some point during the semester, I would very much appreciate it if you would inform me as soon as possible so that I can plan accordingly.

Absences and late work

You are not required to notify me about individual absenses; however, if you will for some reason need to miss multiple classes, please try to meet with me to discuss accomodations. If you do miss class, it is your responsibility to get caught up on the course material; I recommend asking a friend in class to borrow their notes (and, of course, you should still do the reading). Additionally, I am always happy to discuss course material during my office hours.

If you think you will be unable to turn an assignment in by the deadline, please email me as soon as possible to request an extension; I will leave it up to you to propose a new due date, and I will accept most (reasonable) requests. Work submitted after the due date (or after the extended due date, if an extension was requested) will be marked down by five percentage points each day following the due date.

ChatGPT and other LLMs/AI tools

We live in strange and exciting times! Recent advances in AI, particularly the fine-tuning and broad commercial availability of large language models like ChatGPT, have already changed the world and will continue to do so. Like the rest of your professors, I am still trying to figure out how to adapt in a way that makes use of the new technology without diminishing (or bypassing) student learning. For now, here's my policy:

Don't use ChatGPT as a substitute for critical thinking. Don't use it to reason for you, write text for you, come up with examples for you, etc. A good heuristic is that if it feels like cheating, it probably is.

However, feel free to be creative in thinking about how you might make use of Chat-GPT/other LLMs in a way that complements critical thinking instead of replacing it. Please get in touch with me about your prospective applications, both so I can confirm that your use is appropriate and so I can learn from all of you about the possibilities of these amazing tools.

Readings and Schedule

Note: readings with blue hyperlinks are freely available online, and all other readings are available through the course website.

First class (January 17): What are firms? And why do they exist?

→ In addition to introductions and going over the syllabus, we'll talk about the legal status, internal structure, and *raison d'etre* of the firm.

Readings:

- Zingales, Luigi. 2017. "Towards a Political Theory of the Firm." *Journal of Economic Perspectives* 31(3): 113-130.

- CORE Econ, Chapter 6: The firm: owners, managers, and employees. **Read the intro and Sections 6.1, 6.2, and 6.3**.

Week 2 (January 22 & 24): Traditional lobbying

→ We'll discuss the basics of the most traditional and straightforward form through which firms attempt to influence policy: direct lobbying of elected officials. Our discussion will be structured around various theories of what lobbying is and why it "works." We'll examine the case of Apple lobbying the Indian government on labor policy.

Readings:

- Hall, Richard L., and Alan V. Deardorff. 2006. "Lobbying as a Legislative Subsidy." *American Political Science Review* 100(1): 69-84. **Read pgs. 69-73 and the Conclusion.**

- Reed, John, and Kathrin Hille. "Apple and Foxconn win labour reforms to advance Indian production plans." *Financial Times*, 09 March 2023.

Week 3 (January 29 & 31): Nontraditional and shadow lobbying

→ We'll discuss the wide variety of other methods that firms use to influence policy outside of traditional lobbying. We'll use the international expansion of rideshare company Uber as a case study.

Readings:

- Ansolabehere, Stephen, John M. de Figueiredo, and James M. Snyder Jr. 2003. "Why Is There So Little Money in U.S. Politics?" *Journal of Economic Perspectives* 17(1): 105-130.

- Kirchgaessner, Stephanie, Felicity Lawrence, and Johana Bhuiyan. "The Uber campaign: how ex-Obama aides helped sell firm to world." *The Guardian*, 10 July 2022.

Week 4 (February 5 & 7): Trade and supply chains

→ We'll discuss the nature of global trade in the modern world, the central role that multinational firms play in the trade network, and the political impacts of trade. As a case study, we will consider the causes and effects of the U.S.-China trade war.

Readings:

- Greenhill, Brian, Layna Mosley, and Aseem Prakash. 2009. "Trade-based Diffusion of Labor Rights: A Panel Study, 1986-2002." *American Political Science Review* 103(4): 669-690.

- Siripurapu, Anshu, and Noah Berman. "The Contentious U.S.-China Trade Relationship." *Council on Foreign Relations*, 2 December 2022.

- Explore Nike's Manufacturing Map, which provides detailed information on the firm's global production and sourcing network.

Week 5 (February 12 & 14): Commercial diplomacy and economic statecraft

→ We'll discuss the ways in which governments of liberal market economies intervene in firms' (international) operations to further their own foreign policy goals. As a case study, we'll examine the sanctions implemented by the U.S. and G7 countries against Russian firms in response to the Ukraine War.

Readings:

- Drezner, Daniel W. 2011. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." *International Studies Review* 13(1): 96-108.

- Reed, John, and Benjamin Parkin. "Gautam Adani's ties with India's Narendra Modi spur scrutiny of overseas deals." *Financial Times* 22 February 2023.

- Explore the Yale CELI List of Companies Leaving and Staying in Russia, which documents how over 1,500 MNEs have altered their Russian operations (or not) following the invasion of Ukraine.

Week 6 (February 19 & 21): Foreign direct investment — Political risk

→ We'll discuss the unique set of political/governmental/regulatory risks that firms face when they invest abroad, and the steps that firms take to mitigate those risks. As a case study, we will examine two investor-state dispute settlement (ISDS) cases filed by Swedish multinational Vattenfall AB against Germany.

Readings:

- Wellhausen, Rachel. 2015. "Investor–State Disputes: When Can Governments Break Contracts?" *Journal of Conflict Resolution* 59(2): 239-261.

- Hamby, Chris. "The court that rules the world." *Buzzfeed News*, 28 August 2016. **Note: read this for the ISDS background information. You can skip the three case studies.**

These two are very short, and relevant to the case study:

- "Vattenfall v. Germany I: Coal-fired electric plant." *bilaterals.org*, April 2021.

- "Why Vattenfall is taking Germany to court." *Vattenfall AB*, 5 October 2016.

Week 7 (February 26 & 28): Foreign direct investment — Host state effects

→ We'll discuss an age-old question: do multinational firms *improve* or *worsen* conditions in the states that host them, and how are the costs and benefits distributed? As a case study, we will examine the effects of the United Fruit Company's longstanding operations in Costa Rica.

Reading:

- Christensen, Darin. 2019. "Concession Stands: How Mining Investments Incite Protests in Africa." *International Organization* 73(1): 65-101.

- Guevara, Miguel. "The History and Impact of the United Fruit Company in Costa Rica." *Grow Jungles*, 29 October 2021.

- Gilbert, Katie. "Multinationals can have a positive local impact—if they face enough competition for labor." *Yale Insights*, 09 May 2022.

Week 8 (March 4 & 6): Environmental politics

→ Firms are some of the world's largest carbon emitters. We will discuss their preferences regarding a potential "green transition," how governments have attempted to regulate corporate emissions (or not), and the political dynamics that emerge. As a case study, we will discuss oil major BP's contentious transition towards renewable energy.

Readings:

- Green, Jessica, Jennifer Hadden, Thomas Hale, and Paasha Mahdavi. 2021. "Transition, hedge, or resist? Understanding political and economic behavior toward decarbonization in the oil and gas industry." *Review of International Political Economy* 29(6): 2036-2063.

- Ambrose, Jillian. "Why oil giants are swapping oil rigs for offshore windfarms." *The Guardian*, 10 February 2021.

- Lewton, Thomas. "Revealed: BP's 'greenwashing' social media ads as anger over fuel costs rose." *The Guardian*, 6 August 2022.

Week 9 (March 11 & 13): No Class—Spring Break . . . .

Week 10 (March 18 & 20): Corporate social responsibility

→ It has become increasingly common for firms to regulate themselves, setting internal standards that are more stringent than what the law requires. We will discuss the

dynamics of this private governance, often called corporate social responsibility, in both utilitarian (does it *work*?) and normative (*should* MNEs do this?) terms. As a case study, we'll examine the CSR strategy of American MNE Levi Strauss & Co.

Readings:

- Malhotra, Neil, Benoit Monin, and Michael Tomz. 2019. "Does Private Regulation Preempt Public Regulation?" *American Political Science Review* 113(1): 19-37.

- Edgecliffe-Johnson, Andrew. "Levi Strauss bets moral mission can survive public markets." *Financial Times*, 30 March 2020.

Week 11 (March 25 & 27): Politics within the firm

→ While firms frequently become involved in external political affairs, the firm itself is also a common venue for political interaction. This week will focus on the most politically salient cleavage within most firms—that between labor and management—and the various ways that these two groups compete with and influence one another. As a case study, we'll examine the recent UAW autoworkers' strike.

Reading:

- Hertel-Fernandez, Alexander. 2017. "American Employers as Political Machines." *Journal of Politics* 79(1): 105-117.

- Ewing, Jack. "Battle Over Electric Vehicles Is Central to Auto Strike." *New York Times*, 18 September 2023.

Week 12 (April 1 & 3): Taxation

→ Taxation is one of the most important and controversial aspects of business-government relations. It is often noted that many large, profitable firms do not pay much tax at all; we will discuss the nature of corporate (non-)taxation, focusing on one of its lesser-known political dimensions. As a case study, we will examine a tax incentive program known as the Texas Enterprise Fund.

Readings:

- Jensen, Nathan, and Edmund J. Malesky. 2018. *Incentives to Pander: How Politicians Use Corporate Welfare for Political Gain.* Cambridge: Cambridge University Press. **Chapter 1, pp 1-17**.

- Jensen, Nathan, and Calvin Thrall. "Amazon HQ2: Texas experience shows why New Yorkers were right to be skeptical." *The Conversation*, 7 February 2019.

Week 13 (April 8 & 10): Shell companies and the offshore economy

→ Creative lawyers, accountants, and consultants have created an entire "offshore" world comprised of tax havens, shell companies, and legal loopholes. We will investigate the ways in which individuals and firms make use of the offshore world, and the consequences for governments. As a case study, we'll examine the claims made against India-headquartered Adani Group.

Readings:

- Earle, John S., Solomiya Shpak, Anton Shirikov, and Scott Gehlbach. 2022. "The Oligarch Vanishes: Defensive Ownership, Property Rights, and Political Connections." *Quarterly Journal of Political Science* 17: 513-546.

- Reed, John, and Benjamin Parkin. "The Adani affair: the fallout for Modi's India." *Financial Times*, 03 February 2023.

    – For more detail on the fraud allegations themselves, see:
    Lockett, Hudson. "Hindenburg vs Adani: claim and counterclaim." *Financial Times*, 31 January 2023.

Week 14 (April 15 & 17): State-owned enterprises

→ In certain sectors (and countries), a large proportion of firms are owned by the national government. What happens when firm and government are one and the same? We'll discuss the anatomy, performance, and political aims of the state-owned enterprise. As a case study, we'll examine Polish state-owned multinational PKN Orlen.

Readings:

- International Monetary Fund Fiscal Monitor. 2020. "Chapter 3: State-owned enterprises: the other government." **Focus on the graphs, not the text.**

- Minder, Raphael. "Orlen: is Poland's energy giant a tool of the government?" *Financial Times*, 04 June 2023.

Week 15 (April 22 & 24): Weaponized interdependence?

→ In our last full week, we'll take on one of the oldest and thorniest problems in political economy: how does the global economy shape national security? Does the global expansion of firms make the world safer, or can states exploit economic interconnectedness? As a case study, we'll examine the controversy surrounding the international expansion of ByteDance, maker of everybody's favorite app: TikTok.

Readings:

- Farrell, Henry, and Abraham L. Newman. 2019. "Weaponized Interdependence: How Global Economic Networks Shape State Coercion." *International Security* 44(1): 42-79.

- Hussein, Fatima, and Sally Ho. "How a little-known agency holds power over TikTok's future." *Associated Press*, 31 March 2023.

Last class (April 29): Wrap-up

$\rightarrow$ In the last class meeting, we will address topics that students have requested (more) coverage of; we will summarize core themes of the course; and we will save time for Q&A regarding the policy brief.