
Economics and Management in Developing Countries (EMDC)

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Objectives

“Economics and Management in Developing Countries” is intended to provide future managers, expecting to work in or with developing countries, with an understanding of their current economic reality and future prospects of these nations. The course will concentrate on the relationship between corporate management and the economic and social development of poor countries. It will not cover in detail the internal operational challenges of corporations. One of the key points that this course emphasizes is the role of the private sector and multinationals to generate win-win solutions. Such solutions allow firms operating in emerging markets and developing economies to identify and exploit business opportunities, and simultaneously help these countries achieve their developmental goals.

There are three parts to this course. Part A provides a general introduction to the problems of development, and the implications of the international economic and political order. Part B addresses the role that private business and markets can play in promoting economic growth, stressing the activities of foreign investors. Part C looks at the specificities of poverty and the role of the private sector in solving this problem.

Grades

The course is project-based and there will be no exam. **Group assignment: each group, of three (3) participants, must write a case-study on a topic related to the course.** A short proposal, describing the event, topic and methodology, should be discussed with me during the course.

There will be a class presentation of the main conclusions of the research. This presentation will take place in the last session(s) of the course. Please arrange for handouts of the presentation to be distributed. The written reports should be handed in at the end of the period, and are **limited to 10 double-spaced pages**. They will be judged by their originality and innovation, their use of tools developed in the course, and the quality of the analysis and recommendations. Please see the course website (Library of Projects link) for examples of projects by previous promotions.

COURSE OUTLINE AND READING LIST

In this syllabus, you will find the key contents and the required readings for each session. There is no text for this course. For each topic, you can find many additional readings, references and www links on the course's website. Please read the starred readings before coming for class.

PART A - Roots of Economic Development

Session 1 - Introduction to Development Economics

- What are key differences between rich and poor countries?
- What is the historical evidence on the evolution of this gap?
- What are the key components of economic development?
- What are the main drivers of development: institutions, policies or geography?

Class Readings

“**Inequality**” by P. Lougani *Finance and Development* 38(4) September 2003

“**The Primacy of Institutions**” Dani Rodrik and Arvind Subramanian, *Finance and Development*, June 2003, 40 (2)

“**Institutions Matter, But Not For Everything**” Jeffrey Sachs, *Finance and Development*, June 2003, 40 (2)

Session 2 - East Asia: From Miracle to Crisis

The EAST ASIAN economies are a clear success in economic performance over the past fifty years.

- What explains their success? Can it be replicated?
- What led to the crisis of 1997?

Class Readings

“**The East Asian miracle: Building a basis for growth**” *Finance & Development*, Mar 1994

“**Six Deadly Sins**” *The Economist* Mar 5, 1998

“**How many paths to salvation?**” *The Economist* Mar 5, 1998

“**Magic ingredients**” *The Economist* Mar 5, 1998

Session 3 - The Washington Consensus

Session 4 -

- The Washington Consensus describes the policy reforms required by the IMF/World Bank to developing countries in need of assistance and foreign aid.
- What are the key components of the Washington Consensus?

- What is the evidence of success or failure of the Consensus?
- Was the Consensus wrong?...incomplete?... poorly implemented?
- How to deal with the overwhelming debt amassed by many countries?
- What role for free capital mobility?

Class Readings

“Wanted: a New Regional Agenda for Economic Growth” *The Economist* Apr 24, 2003

“Latin America: Overcoming Reform Fatigue” by G. Ortiz; *Finance and Development*, Sept 2003

“Help in the Right Places” *The Economist*, Mar 14, 2002

“Catching the tide” *The Economist*, May 1, 2003

“Private Capital Flows and Growth” *Finance and Development*, June 2001

Session 5 - Privatization

- What are the advantages and disadvantages of privatization in emerging countries?
- How should privatization be undertaken?
- What are some of the risks for the country, as well as the investors?

Class Readings

***“Cancun, Mexico: Water System Privatization”**, Kennedy School of Government, KSGG1593.0

“Private passions” *The Economist*, Jul 17, 2003

Session 6 - Institutions: Corruption and Development

- What are the causes and consequences of corruption for development?
- What are potential solutions, and what roles can MNC's and other corporations play?
- What are institutions and what role do they play in economic development?

Class Readings

***“Corruption in International Business”** Robert E. Kennedy & Rafael Di Tella, HBR: 701129, April 2001

“Institutions to support markets” by R. Islam, *Finance & Development*, March 2002, 39 (1)

“A Global war against bribery” The Economist, Jan 14, 1999

“New laws will make bribery tougher” Financial Times, May 7, 2003

“Corruption and development” by C. Gray & D. Kaufmann, *Finance & Development*, Mar 1998.

Session 7 - The Multilateral Trading System

- How much is the International Trading system biased against developing nations?
- What can be done to change this? What would be the implications for the rich countries?

Class Readings

“The Free-Trade Fix”, by Tina Rosenberg, *New York Times*, August 18, 2002

“Patches of Light” The Economist, Jun 7, 2001

”The Cancun Challenge” The Economist, Sep 4, 2003

PART B – Harnessing Business for Development

Session 8 - Investing in emerging markets

- Why do corporations invest in emerging markets?
- How can they measure and manage the associated risk?
- How should such projects be assessed, to account for their social benefits and costs?

Class Readings

***“Financing the Mozal Project”**, HBS 1999

Session 9 - Competing for FDI

Session 10 - Benefits of FDI

- What are the key determinants of Foreign Investment at the country level?
- How can developing countries compete for foreign investment?
- What are the benefits of foreign investment in developing countries?
- Can FDI really be the magic bullet for development?
- What is the potential for development strategies based on attracting FDI?

Class Readings

***“Intel’s Selection Decision in Latin America,”** Thunderbird 1999

“The Truth About Foreign Direct Investment in Emerging Markets” by D. Farrell, J. Remes and H. Schulz, *McKissey Quarterly*, 2004 N.1

“How Beneficial Is Foreign Direct Investment for Developing Countries?” by P. Loungani and A. Razin; *Finance and Development*, June 2001

Session 11 - Corporate Responsibility and FDI

- What is the role of public governance in the effects of FDI?
- How serious are the institutional shortcomings of poor countries?
- How should the lack of competent governance institutions affect the strategies of multinationals investing in poor countries?

Class Readings

***“Chad’s Billion-Barrel Oilfield: From Rags to Riches?”** INSEAD, 1999

“A Nation’s Challenge: Sudden Wealth” IHT 18/02/04

PART C – Business to Fight Poverty

Session 12 - Child Labor

- Is development confined to economic growth?
- Is Child Labor a cause or a consequence of poverty?
- What are good and bad policies to address this issue?
- What is the role of corporations?

Class Readings

***“Third-World Families at Work: Child Labor or Child Care”** HBR Case Study, Jan-Feb 1993

“Global Poverty” Special Report; *Business Week*, 14.10.02

“The fuss over child labor is misguided” by N. Kristof, International Herald Tribune, Apr 6, 2004

Session 13 - Micro Credit: Lending to the Poor

- How does micro credit work? Is it successful?
- How much have they helped in fighting poverty and promoting development?

Class Readings

***“Banco Solidario: The Business of Microfinance”** Harvard Business School, N. 9-702-019

“Tiny loans make a big difference in lives of poor” The New York Times, Mar 29, 2004

Session 14 - Economic Development and the Digital Divide

- What is the role of information technology in development?
- What is the digital divide and what are its implications?
- What can corporations do to address this, as an element of their social responsibility?
- Can ‘selling to the poor’ be a moneymaking strategy, as well as a socially responsible one? Can the poor be a sustainable market?

Class Readings

***“Building bridges across the Digital Divide – HP’s e-Inclusion”** (A) and (B), INSEAD 2004

“Marketers must seek their ‘Fortune at the Bottom of the Pyramid’” Knowledge@Wharton, 2004

Session 15 - Wrap Up and Presentation of case studies in class (double session)

Session 16 -
