

Current Topics of Business Policy

(E/A/M 21871, IBE 21149)

Benito ARRUÑADA

Version: 07/04/2015

Objective

The course analyzes new business situations by applying the knowledge on Economics and Business Organization studied during the UPF degrees in Economics and Business Administration. The aim is to teach students to apply such knowledge to research and to real problems and to communicate their conclusions in a professional environment.

Schedule

Week	1	2	3	4	5	6	7	8	9	10	11
<i>Week starting on Monday,...</i>	6-4	13-4	20-4	27-4	4-5	11-5	18-5	25-5	1-6	8-6	15-6
<i>Week ending on Friday,...</i>	10-4	17-4	24-4	1-5	8-5	15-5	22-5	29-5	5-6	12-6	19-6
Mondays, 13:00-14:30	-	T	T	T					-	P	P
Tuesdays 13:00-14:30	T	T	T	T	T	T	T		T	P	P
Monday or Tuesday, TBA										P	P
Fridays, 10:30-12:00		Sd		-	Sd	St	Sd	St	St	P	
Fridays, 12:00-13:30		Sd		-	Sd	St	Sd	St	St	P	
Fridays, 13:30-15:00		Sd		-	Sd	St	Sd	St	St	P	
<i>Note:</i>	T	Analytical methods (Arruñada, in bold; Tubau)									
<i>Presentations are likely</i>	Pi	Project presentations (Arruñada)									
<i>to be rescheduled</i>	Sd	Seminars with project discussions (Arruñada, in bold; Tubau)									
	St	Seminars with thematic sessions (Gutiérrez, in bold; Masferrer)									

Classes

- During the first weeks, theory classes (**T**) will be dedicated to introduce the course, establish the working teams, present the various projects, and discuss some of the analytical tools for preparing them. The content of the class will emphasize several topics, to be developed approximately along the following schedule:
 - Behavior, weeks 1-2.
 - Contracting, weeks 2-3.
 - Public sector reform, weeks 3-4.
 - Other topics, weeks 4-5.
- The theory classes of weeks 6-8 will focus on how to improve your capabilities and develop a successful professional career.
- Students should have prepared each topic by reading the material in the dossier for the first class of the week when its discussion it is scheduled to begin.

4. Seminar classes will be of two types: (1) *preliminary* discussion and presentation of projects with the teachers (*Sd*), to be taught by Professors Arruñada (the first one) and Tubau, and (2) thematic sessions (*St*) that will focus on “E-business” and “Career development”, and will be taught by Professors Gutiérrez and Masferrer, respectively. Students should also have studied the sets of readings before each of these thematic seminars.
5. During the last three weeks (9-11), each theory class and some seminars will be devoted to the presentation (30 minutes) and discussion (50 minutes) of one of the projects (*Pi*). The final timetable for making up the 4 theory classes taught at the time of seminars will aim to minimize overlaps with other courses.

Work

1. Individual work
 - a. Prepare reading texts and individual cases before the theory classes to gain sufficient knowledge to be able to discuss them and answer questions posed by the teacher.
 - b. Participate actively in class discussions.
 - c. Prepare, present and orally defend a substantial part of the project.
 - d. Participate actively in thematic seminars (*St*).
2. Teamwork on one of the projects
 - e. With team-mates, prepare preliminary presentations in seminars (*Sd*), and present and discuss the approach to, and development of the project.
 - f. With team-mates, prepare the presentation and preliminary report to be handed in on the day of the oral presentation (*Pi*).
 - g. Substantially review the form and substance of the report, and give in both versions, both preliminary and final, at the end of the course.

Marking

1. Attendance and real participation in class discussions (35%).
 - a. The course is structured in such a way that active class attendance forms an integral part of it. The first absence of each student will not be taken into account, but no exceptions will be made—including sporting and employment activities.
 - b. Participation in class discussions, both voluntary and at the request of the teacher, may be assessed positively or negatively. Correct application of scientific concepts and theories will be positively assessed, and the expression of opinions not based on scientific analysis will be negatively assessed.
 - c. In the discussion of readings, students should be able to summarize the essential points, make a critical reflection on them and apply them to real situations.
 - d. In project presentations, special value will be given to students’ criticism of the approach, results and recommendations of the presenting team.
2. Individual contribution to the team project (65%), considering both the project itself and the individual contribution. Special value will be placed on:
 - a. The oral presentation of cases, considering both the soundness of arguments and the formal quality.

- b. Written reports on the projects (both preliminary and final) presented by each team. Special value will be placed on formal professionalism and the depth of the final review of the project.
 - c. The individual contribution, to be assessed in two steps. First, the teacher assesses the results of the team. Second, the teacher shares out the points obtained by the team among the team members, based on assessment of the individual contributions made by each member. In order to establish this assessment, *each student will have the opportunity to assess the contribution made by each of the other team members*. In previous years, this procedure clearly penalized occasional free riding.
3. *Retakes*. Students who fail but have followed the course regularly (“having participated in learning and evaluation activities during the term”) will have a second opportunity involving the drafting of a make-up written report on a project chosen by the teacher. This make-up report must follow similar requirements to the team projects and receive at least a “sufficient” (*aprobado*) mark to pass the course.

Information

1. Course website: <http://arrunada.org/Teaching.aspx?Id=5> (password: “ctbp”).
2. A dossier containing most of the course reading texts will be available at OCE.
3. Administrative support: Ms. Mar Díez (mar.diez@upf.edu).

Rules

1. Deadline for final reports: 24 June.
2. Given the design of the course, students are advised not to join late. When doing so, they should contact their teammates as soon as possible.
3. In order to not interrupt classes, students shall abstain from entering classrooms once classes have begun.
4. Cellphones must be silenced and laptops and similar must be turned off.

Team projects

1. *Teams and project selection*. During the first two weeks of classes, students will be allocated to teams. The groups will be formed by the teacher at the start of the course, aiming to maximize variety with regard to training, gender and place of origin. Projects will be randomly allotted to teams. The project number determines the order of discussion in seminars (*Sd*) and of final presentation (*Pi*).
2. *Preparatory discussion (Sd)*. Three seminar classes will be devoted to the presentation and preliminary discussion of each project (about 30 minutes per project). Each team will propose and discuss with the teacher a preliminary plan of work, defining at least the following points: (a) which aspect of the problem is to be analyzed; (b) from what point of view (that is, from what hypothetical position they plan to analyze the problem or, more specifically, for whom the analysis is being drawn up); (c) who is the report addressing? (e.g., imagine the team as a consultancy and ask yourself who is its client for this project); (d) what theoretical instruments are to be used for the analysis; (e) what methods are to be used. For example, in a project on subsidized education, the following could be defined: (a) an overview of the current situation; (b) as a point of view, that of an advisor for the regional government; (c) as addressees, the members of the regional government; (d) as the theory, that provided by the economic analysis of bureaucracy and “internal markets”; (e) as the method, the data bases to be consulted, the

reading texts to be studied, possible interviews with experts, the data to be used, surveys to be drawn up, etc.

3. *Project preparation.* Over the following weeks, each team will have to study the project and draw up a presentation and a professional report. The main tasks include:
 - a. Precise, operational definition of the specific problem to be solved, as each project usually gives rise to a number of problems.
 - b. Find and process the pertinent information to get to know and analyze the problem with sufficient depth.
 - c. Identify, review and apply theoretical knowledge from the degree course that is suitable for the analysis
 - d. Prepare a short report with professional quality, in both form and substance, on the problem chosen, the *preliminary* version of which is to be handed in immediately before the oral presentation.
 - e. With team-mates, prepare the visual and oral presentation of the report (*Pi*). MS PowerPoint may be used as a visual aid; but, *better, do the presentation without PowerPoint*.
 - f. All these tasks shall be performed interactively with the preliminary presentations given in the appropriate seminars (*Sd*).
4. *Responsibility for the project.* Each team will be fully responsible for its project. In particular, it is free to define the exact problem to be covered in each project. Any preliminary instructions, discussions and, in general, any comments made by teachers should be taken as advice but not as guidelines to be followed and certainly not as excuses to defend decisions taken during the project.
5. *Format of the written report.*
 - a. The wording must be correct and to the point, without wasting space or readers' time.
 - b. Maximum length: 3,000 words. The first page must show the total number of words (measured by the word processor). If necessary, statistical and documentary annexes can be attached separately.
 - c. The language used and other formal elements must follow a professional format. Use of a standard word processor format is recommended.
 - i. Possibly the best book for learning to write: Williams, Joseph M. (1990), *Style: Toward Clarity and Grace*, University of Chicago Press, Chicago. You may also see Pinker, Steven (2014), *The Sense of Style: The Thinking Person's Guide to Writing in the 21st Century*, Viking, New York.
 - ii. See [Ten Principles for Writing Clearly](#) (Williams, from the back cover of the 2003 edition).
 - iii. See *The Economist* style test:
<http://www.economist.com/diversions/quiz.cfm?quizname=stylequiz>.
 - iv. Also see the materials from the *Centre de Redacció de la Facultat de Traducció i Interpretació (UPF)*, available on the Global Campus.
 - d. Students will be penalized for grammar and spelling mistakes, as well as typing errors. Use the automatic spellcheck.
 - e. Any bibliographical references must follow the same professional system throughout the report.
 - f. Guideline for content:

- v. Executive summary (maximum 150 words).
 - vi. Total number of words in the report (compulsory).
 - vii. Brief introduction to the matter to be discussed. It is essential to specify the tools, theories and theoretical concepts on which the analysis is based.
 - viii. Central sections for discussion and analysis. These may include background, causes, pros and cons of the various options, etc.
 - ix. Conclusions. If appropriate for the type of project, these should be drafted in terms of management or regulatory recommendations.
 - x. Complements:
 - 1. The list of bibliographical references, in a professional, uniform format.
 - 2. Where appropriate, a brief methodological note explaining the tasks performed and the main sources of information (maximum 150 words).
 - 3. Statistical and documentary annexes.
6. *Sources of information.* The UPF Library has extensive resources of all types (monographs, data bases, case study collections). The following are some of the most useful: EBSCO (academic studies and trade journals), EconLit (academic studies in the field of economics), ABI-Inform (academic studies in the field of business management), *The Economist*. In addition, thorough searches should be made for resources on the Internet. In cases involving regulation, consult the European Union data bases. For current affairs cases, consult the online archives of the economic press (*Financial Times* at www.ft.com or *Wall Street Journal* at www.wsj.com). Whenever possible, teams should communicate with sector experts and with the companies being analyzed. For projects on the Spanish economy, an interesting source for placing and starting out an analysis of problems is FEDEA, especially the “No Free Lunch” blog in English: <http://fedeblogs.net/nofreelunch/> (old posts in Spanish available at <http://www.fedeblogs.net/economia/>).
7. *Checklist.* Before the various presentations and, especially, before handing in the report, check the following:
- a. Content of the executive summary. Does it summarize the main points to help readers understand the report?
 - b. Do the structure and content of the report tally with what is stated in the executive summary?
 - c. What theories and theoretical concepts is the analysis based on? Application of theory in projects is an essential requirement for passing the course. These should be mentioned at the start of the report.
 - d. Length (word count) of the summary and of the main text, to be specified on the first page of the report.
 - e. Have you read the final version of the text out loud, and corrected it as a result?
 - f. If you use visual aids such as PowerPoint, make sure the slides are legible in the conditions of the room; make sure they do not contain too much text; nor should they contain figures and images that may be striking but are not really necessary so may just distract the audience.
8. *Final presentation.* Projects are to be presented and defended in class (*Pi*).
- a. Before the presentation, each team will hand in a printed copy of the preliminary version of its report.

- b. It is recommended that the presentation be rehearsed several times and that visual aids be used with moderation. The first presentations will be assessed more positively than later ones because they cannot benefit from having seen previous presentations.
 - c. The presentation must be professional and will last a maximum of 30 minutes.
 - d. Do not use unnecessary effects, and, if you use PowerPoint, do it with moderation.
 - e. Each member of the team should present orally a substantial part of the report.
 - f. Before starting their presentation, the team must hand in to the teacher a list showing the order of participation, to help in the assessment of individual presentations.
 - g. The remainder of the class time will be used to discuss the project. All students shall participate (on one day or another), both voluntarily and at the request of the teacher, making criticisms and suggesting different approaches to the project. Such participation will be assessed positively or negatively by the teacher. If such participation involves only the clarification of doubts, this will be negatively assessed.
9. *Review of the report.* After the presentation, each team will review its report, in form and substance, changing the analysis and recommendations in line with any criticisms received.
 10. *Delivery of the two versions of the report.* Both the preliminary and final versions of the report shall be sent by e-mail to the teacher (benito.arrunada@upf.edu) before midnight on June 26. Students should briefly describe in their message the improvements made to the final version. Please, name the files as “X.Project_name_Y”, where X is the project number and Y the version number.

References

- Alsop, Ron (2008), “The ‘Trophy Kids’ Go to Work,” *The Wall Street Journal*, October 21.
(Adapted from Alsop, Ron, *The Trophy Kids Grow Up: How the Millennial Generation Is Shaking Up the Workplace*, Jossey-Bass, New York, 2008). See for a discussion, <http://www.wsj.com/articles/SB122455219391652725>.
- Anderson, Chris (2004), “The Long Tail,” *Wired*, 12.10, October.
- Arruñada, Benito (2013), “Markets for Public Services: Strong Incentives vs. Comprehensive Planning?” Universitat Pompeu Fabra, March.
- Boyle, Matthew (2009), “Not Just Another Web Retailer,” *Bloomberg Business Week*, June 22.
- Callan, Erin (2013), “Is There Life After Work?” *The New York Times*, March 9.
- Cooter, Robert, and Thomas Ulen (2008), *Law & Economics*, Pearson International, Boston, MA, pp. on standard form contracts (302-304).
- Fama, Eugene F., and Michael C. Jensen (1983), “Agency Problems and Residual Claims,” *Journal of Law and Economics*, 26(2), 327-49.
- Friedman, Milton (1970), “The Social Responsibility of Business is to Increase its Profits,” *New York Times Magazine*, September 13.
- Hamori, Monika (2010), “Managing Yourself: Job-Hopping to the Top and Other Career Fallacies,” *Harvard Business Review*, July 29. (Includes “Why Top Young Managers Are in a Nonstop Job Hunt,” by Monika Hamori, Jie Cao, and Burak Koyuncu).
- Hayek, Friedrich A. (1988), “The Weasel Word ‘Social’,” in *The Fatal Conceit: The Errors of Socialism*, Routledge, London, 114-19.
- Jensen, Michael C., and William H. Meckling (2009), “Specific Knowledge and Divisional Performance Measurement,” *Journal of Applied Corporate Finance*, 21(2), 49-57.
- Katz, Avery W. (1998), “Standard Form Contracts,” in Peter Newman, ed., *The New Palgrave Dictionary of Economics and the Law*, vol. 3, London, Macmillan, 502-505.

- Korobkin, Russell (2003), "Bounded Rationality, Standard Form Contracts, and Unconscionability," *The University of Chicago Law Review*, 70, 1203-95 (excerpts).
- Lerner, Josh, and Jean Tirole (2002), "Some Simple Economics of Open Source," *The Journal of Industrial Economics*, 50, 197-234.
- Luscombe, Belinda (2013), "Confidence Woman," *Time*, March 7.
- Mullainathan, Sendhil, and Andrei Shleifer (2005), "The Market for News," *American Economic Review*, 95(4), 1031-53.
- Newport, Cal (2012), "Solving Gen Y's Passion Problem," *Harvard Business Review Blog Network*, September 18.
- Pinker, Steven (1997), "Family Values," chapter 7 of *How the Mind Works*, Norton, New York, 425-520.
- Pinker, Steven (1997), "Hotheads," chapter 6 of *How the Mind Works*, Norton, New York, 363-424.
- Pinker, Steven (1997), "Standard Equipment," chapter 1 of *How the Mind Works*, Norton, New York, 3-58.
- Pinker, Steven (2002), *The Blank Slate: The Modern Denial of Human Nature*, Viking, New York, pp. on stereotypes (201-207).
- Shapiro, Carl, and Hal R. Varian (1999), "The Information Economy," *Information Rules: A Strategic Guide to the Network Economy*, Harvard Business School Press, Boston, 1-8.
- Stachowiak, Sandy (2013), "What Ever Happened to Alice.Com?," *Yahoo Voices*, October 23.
- Stark, Rodney (1996), "Conversion and Christian Growth," in *The Rise of Christianity: A Sociologist Reconsiders History*, Princeton University Press, Princeton, 2-27.
- Williams, Joseph M. (1990), "Ten Principles for Writing Clearly," in *Style: Toward Clarity and Grace*, University of Chicago Press, Chicago (from the back cover of the 2003 ed.).

Projects

Each team must analyze one of the following projects (which may vary up to the second week of classes). The following descriptions are just an indication:

1. Ideas and beliefs
 - a. Objective: distinguish ideas from beliefs and how they are adopted.
 - b. Method: identify some widespread sets of beliefs and show how people have acquired them, how they feel about them, and/or how can they be managed.
 - c. Examples: global warming, "marca España", Socialism versus Capitalism, left and right political views.
 - d. Possible analytical instruments: Stark (1996), Pinker (2002), Mullainathan and Shleifer (2005).
2. Professional career
 - a. Objective: think strategically about professional career development.
 - b. Examples: identify challenges from the environment, assets and possible deficits in emotional intelligence or technical competencies.
 - c. Method: readings, introspection, surveys and interviews with former graduates.
 - d. Possible outcomes: guidelines for developing a professional career or reforming academic curricula with a view to overcoming such deficits.
 - e. Possible analytical instruments: Pinker (1997, ch. 6, "Hotheads").

3. Budgeting expectations

- a. Objective: learn to manage expectations and identify and achieve personal goals.
- b. Method: estimate the cost of sustaining the expected standard of living of a representative UPF graduate in economics or business administration some 15-20 years from now. Survey work, in-depth interviews and use of statistical data on families' purchasing habits and the cost of living may well be necessary.
- c. Possible analytical instruments: accounting, cash budgeting, simulation.
- d. Watch this video by behavioral economist Daniel Goldstein: "[The battle between your present and future self](#)" (TED Salon, New York, November 2011). ¿Can you think of similar applications for improving students and graduates' ability to decide between the present and the future?

4. Men and women in business

- a. Objective: Identify the particular challenges of men and women in pursuing their professional careers.
- b. Method: identify the influence and relative weight of biological and environmental factors in this area.
- c. Examples of possible outcomes: draw up a plan setting out personal goals and common threats for developing a successful professional career.
- d. Possible analytical instruments: Pinker (1997, chapter 7, "Family Values") and Pinker (2002, chapter 18).

5. Contracting financial services

- a. Objective: identify common failures in transactions based on standard-form contracts despite regulation, understand the reasons for such market and regulatory failures and propose remedies.
- b. Method: in addition to theory, the project is suitable for field work using surveys of customers and managers.
- c. Example of specific topics currently in the news: debtors' liability in mortgage lending, "floor" clauses in variable interest rate mortgages, over-borrowing.
- d. Possible outcomes: proposal for regulatory reform of rules of judicial activity in this area.
- e. Possible analytical instruments: application of cognitive sciences to understand limitations in financial contracting; and economic analysis of standard form contracts—e.g., Katz (1998), Cooter and Ulen (2007, 302-304), Posner (1998, 126-29).

6. Reforming public services

- a. Objective: identify problems and solutions for a specific public service.
- b. Method: economics of bureaucracy and divisionalization, internal markets, cognitive limitations of how markets work.
- c. Examples currently in the news: public universities, healthcare, justice.
- d. Possible outcomes: policy proposal to reform a specific public service.
- e. Possible analytical instruments: Arruñada (2013), Jensen and Meckling (2009).

7. The reputation of business

- a. Objective: identify how capitalist firms are seen by citizens, and how this view influences politics and regulation.
 - b. Method: Besides the application of relevant theory, the project is suitable for survey and empirical work, collecting opinions and summarizing how firms are represented in, e.g., films and news, and why they are represented this way.
 - c. Examples: firms in films, firms in news, firms in litigation, the reputation of the *empresario* en Spain, the role of neologisms in this area (e.g., *emprendedor*), the relative reputation of big and small firms.
 - d. Possible outcomes: education program, guidelines for corporate social responsibility for a specific firm, communication guidelines for an association of firms.
 - e. Possible analytical instruments: theories on beliefs (Stark, 1996), stereotypes (Pinker, 2002, 201-207), news (Mullainathan and Shleifer, 2005), works on corporate social responsibility (Friedman, 1970).
8. Online universities
- a. Objective: understand the impact that online universities pose in terms of both threats and opportunities to universities.
 - b. Method: analyze successful cases of online university teaching and apply the theory to explain changes in the comparative advantage of universities.
 - c. Examples: UPF Department of Economics and Business.
 - d. Outcome: proposal for developing online educational programs of the UPF Department of Economics and Business identifying appropriate interaction with online teaching and forecasting changes in education as a consequence of online teaching.
 - e. Possible analytical instruments: application of path dependency arguments; elements from Evolutionary psychology which may be relevant for understanding many aspects, from resistance to change to the comparative advantage of university teaching. Some sources to start: see works by Christensen and Horn, and Schaefer Riley.
9. Institutional reform
- a. Objective: to identify an institutional problem and propose a successful institutional reform, considering implementation difficulties.
 - b. Method: readings of theoretical works on institutions and empirical works on the functioning of existing and alternative institutions.
 - c. Examples: political representation, legal changes, regulatory bodies.
 - d. Possible outcomes: diagnosis of failure and proposal for change.
 - e. Possible analytical instruments: works by North, Acemoglu, etc.