

INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
ECONOMICS AND ADMINISTRATIVE SCIENCES FACULTY
MBA PROGRAM

I. GENERAL INFORMATION

Course title : PUBLIC POLICY TOWARDS BUSINESS
Code and number : BADM5070
Credits : 3
Academic term : Trimester
Professor : Luis A. Flores-Martínez
Office hours : M-TH 5-7PM
Email : lflores@metro.inter.edu

II. DESCRIPTION

Analysis of government's monetary, fiscal and regulatory policies regarding business cycles and their impact on firms. Study of current trends in these areas at the local, national and international government levels.

III. OBJECTIVES

1. Explain the structure, functions and rationales of the role of the public sector in a mixed economy.
 - 1.1. Describe the different perspectives of the role of government in the economy and the relationship between the public and private sector from both the regulatory and support perspective.
 - 1.2. Discuss the contemporary social and economic issues that affect government and business.
2. Evaluate the external environment of business and its impact on corporation's strategic management.
 - 2.1. Examine the current issues involving the public policy toward corporate governance and describe the corporation and its stakeholders relationship.
 - 2.2. Analyze the increased attention required on the part of corporate management to a host of forces external to the corporation, both domestic and international
3. Examine the historical, social and political nature of public policy and its development in

the context of a market economy.

- 3.1. Discuss how the relationship between government and business has evolved in the past and how it might evolve in the future.
 - 3.2. Identify and review the many ways in which government's monetary, fiscal and regulatory policies affect the activities of the business corporation.
 - 3.3. Discuss the various responses on the part of business to government's regulatory policies.
4. Analyze several contemporary trends in public policy that affect private sector organizations, such as deregulation, the environment, the consumer, and emerging public policy problems attributable to globalization.
 - 4.1. Discuss the regulation of business in areas as: the environment, consumer protection, workplace rights, health and safety and securities/corporate governance.
 - 4.2. Critically point out how market failures trigger government intervention regulation and how markets, once regulated, have been deregulated.
 - 4.3. Explain how globalization and multi-nationalism of the business enterprise has and will change the relationship between the public and private sector.
 - 4.4. Analyze the impacts of the expanded government activities that are being designed to respond to terrorist treats.
 - 4.5. Critically examine the rationales, legal ground rules and regulatory models used in various areas of regulation such as: taxes, insurance, banking, public health, the environment, in the Commonwealth of Puerto Rico.
 - 4.6. Evaluate some of the most relevant public policy statutes applicable to business in the Commonwealth of Puerto Rico.
 - 4.7. Rate how Puerto Rico's government intervention has actually played out in the cooperatives, workers compensation, gas prices markets and other fundamental aspects of the economy.
5. Evaluate the basic responses of the private sector to ethical issues of public policy in the context of strategic management and the stages in the development of social responsibility all over the world.
 - 5.1. Criticize the corporate social responsibility in the context of the public policy process, and compare the main arguments for and against it.
 - 5.2. Assess how business meets its economic and legal obligations while being socially

responsible

- 5.3. Explain what ethical problems are, how they occur in business, and analyze them using generally accepted ethics theories.

IV. CONTENTS

- I. The Government in a Mixed Economy (Unit 1 OT-1)
 - A. The Mixed Economy
 - 1. The Roles of the Market
 - 2. The Roles of Government
 - B. What is the Government?
 - C. The Powers of Government and Business
 - a) The Constitution and Economic Freedom
 - b) The Basis for the Superiority of the Marketplace
 - c) The Policy Tools Available to Government
- Activity
- (1) Government Payrolls (government as paymaster)
 - (2) Government as a Purchaser of Goods and Services.
 - (3) Transfer Payments
 - (4) Government Subsidies
 - (5) Government Loans
 - (6) Government Credit Programs (government as underwriter)
 - (7) Government Regulation

- (8) Taxation
- (9) Government as Business Partner
- (10) Monetary Policy (government as regulator of the economy)
- (11) Moral Suasion (government as leader)

Readings:

Stiglitz, J. E. (2005). Ch. 1

Weidembaun, M. L. (2004). Ch. 1

II. The Power of the Corporation in Society (Unit 2 OT-2)

- 1. The Corporation and Its Stakeholders
 - a) The Stakeholder Concept
 - b) The Stakeholder Interest and Power
 - c) The Stakeholder Coalitions and Engagement
- 2. Managing Public Issues
 - a) The Corporation's Boundary Spanning
- 3. Corporate Social Responsibility
 - a) Responsibilities of Business
 - b) Balancing Economic, Legal, and Social Responsibility
 - c) The Evolving Notion
- 4. The Community and the Corporation
 - a) Community Relations
 - b) Corporate Giving

5. Global Corporate Citizenship
 - a) Stages of Corporate Citizenship
6. Stockholder Rights and Corporate Governance
 - a) Who Are Stockholders
 - b) Corporate Governance
7. Business Participation in Politics

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 1-5, 9,
15, 17

Weidembaun, M. L. (2004). Ch. 18-21

III. Government's Monetary, Fiscal and Regulatory Policies (Unit 3 OT-3)

- A. Government's Public Policy Role
 1. Elements of Public Policy
 2. Types of Public Policy
 3. Economic Policies
 - a) Monetary
 - b) Fiscal
 - c) Social Assistance Policies
- B. Monetary Policies
 1. Tools of Monetary Policy
 - a) The Role of Central Banks
 - b) The Federal Reserve System
 - c) Local Depository Institutions

- C. Fiscal Policies
 - 1. The Taxation System
 - 2. Government as a Market
 - 3. Public Enterprises
 - 4. Privatization
- D. Public Policy Through Regulation
 - 1. Theories of Regulation
 - a) The Making of a Regulation
 - b) The Growth of Regulation
 - c) The Conduct of Regulation
 - d) The Changing Nature of Regulation
- E. Economic Regulation Policies
 - 1. The Need for Economic Regulation
 - a) Market Structure
 - b) Strategic Competition Policy
 - c) Antitrust
 - d) Oligopoly
 - e) Collusion
 - f) Mergers
 - g) Monopolization
 - h) Price Discrimination
 - 2. Government Regulation Policies in New Contexts
 - a) Terrorism and Business
 - b) The Role of Business in Fighting Terrorism

c) New Business Opportunities

F. Regulation and Globalization

1. The Challenges of Globalization
2. Business, Government and Globalization
3. Pros and Cons of Globalization

G. Economic Deregulation

1. Origins of Deregulation
2. Progress Toward Deregulation
3. Deregulation in Transportation, Airline,
Telecommunication and Financial Institutions

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 7-10

Viscusi, W. K., Harrington, J.E. & Vernon, J. M. (2005).
Ch. 3-9, and 14

Weidembaun, M. L. (2004). Ch. 2, 8-13, 15, 6

IV. Government's Social Regulatory Policies (Unit 4 OT-4)

A. Environmental Regulation

1. Role of the Government
2. Major Areas
3. Alternative Policy Approaches
4. Environmental Management
5. Global Environmental Perspectives
 - a) Ecology and Sustainable Development
 - b) The Ecological Crisis

- c) Limits of Growth
- d) Global Environmental Issues
- e) Causes of Global Warming
- f) Global Climate Change Initiatives

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 11-12

Weidembaun, M. L. (2004). Ch. 4

B. Workplace Rights, Health and Safety Regulation (Unit 5 OT-4)

1. Employees and the Corporation

- a) Employment Relationship
- b) Workplace Rights
- c) Collective Negotiations
- d) Regulation of a Safe and Healthy Workplace
 - (1) Violence
 - (2) Secure Job
 - (3) Privacy and Free Speech
 - (4) Fair Labor Standards
- e) Private Pensions
- f) Minimum Wage and Unemployment

2. Managing a Diverse Workforce

- a) Women and Minorities
- b) Valuing Life, and Other Nonmonetary Benefits
- c) Achieving Equal Employment Opportunity
 - (1) Affirmative Action

(2) Sexual and Racial Harassment

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 18-19

Viscusi , W. K., Harrington, J.E. & Vernon, J. M. (2005).
Ch. 20, 23

Weidembaun, M. L. (2004). Ch. 5-6

3. Consumer Protection Regulations (Unit 6 OT-4)

(1) Consumer Protection

(a) The Consumer Movement

(b) Consumer Rights

(2) Products Liability and the Courts

(3) Business Response to Consumer Rights

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 16

Viscusi , W. K., Harrington, J.E. & Vernon, J. M. (2005).
Ch. 22

Weidembaun, M. L. (2004). Ch. 3

V. Government-Business Ethical Environment (Unit 7 OT-5)

A. Ethical Issues in Business

1. Meaning of Ethics

2. Sources of Ethics

3. Ethical Relativism

4. Sarbanes-Oxley Act

5. Moral Development

6. Elements of Ethical Character
- B. Business-Government Ethical Relations
1. Corporate Culture and Ethical Climates
 2. Professional Codes of Conduct
 3. Ethics Programs and Policies
 4. Ethics in the Global Economy
 5. Relationship Law-Ethics

Readings:

Lawrence, A. T. & Weber, J. (2008). Ch. 5-6

- VI. The Private Sector and Public Policies in Puerto Rico. (Unit 8 OT- 5)
- A. Corporate Social Responsibility in Puerto Rico.
 - B. Regulatory Models in Taxes, Insurance, Banking, Public Health and the Environment.
 - C. Some Puerto Rico's Economic Issues (Other topics may be added during the development of the course)
 1. Proposed Tax Reforms in Puerto Rico
 2. Insurance and Banking (The Gramm-Leach Bliley Act of 1999, Office of the Insurance Commissioner of Puerto Rico
 3. Puerto Rico Public Health Insurance Program
 4. Should the State Insurance Fund be totally or partially privatized?
 5. The Proposed Reform of the Federal Social Insurance

- Program
6. Medical Malpractice (Insurance Problems of the Health Providers
 7. The Structural Deficit and its Credit Rating
 8. The Compulsory Automobile Liability Insurance Program
 9. The Government Retirement System's Actuarial Deficit
 10. Public Policies Concerning the Cooperative Movement of Puerto Rico
 11. Proposed Charter Schools and the Public Education System in Puerto Rico
 12. Certificates of Need and Convenience for Health Facilities
 13. The Federal Minimum Wages in Puerto Rico
 14. Industrial Incentives Laws in Puerto Rico (Economic Incentives for the Development of Puerto Rico, Act # 37 May 28, 2008)
 15. DACO and its Control of Gasoline Prices
 16. The Puerto Rico's Fiscal Policy as a Condition for Tax Reform.
 17. The Underground Economy and the IVU
 18. Local Antitrust Statutes
 19. The Product Liability Statutes
 20. The Public Liability Statutes

Readings:

Collins, S. M. (2006)...

V. ACTIVITIES

- A. Assigned key concepts and theories readings, from books, journals, and Internet resources
- B. Comprehensive case analysis
- C. Professional dialogues
- D. Intense use of videos and other technological devices
- E. Proposal writing
- F. Website General Reading

VI. EVALUATION AND STUDENT ASSESSMENT CRITERIA

Learning objectives will be measured in the following areas:

	Points	% of final grade
(1) Midterm Assessment	100	33
(2) Final Assessment	100	33
(3) Research project	100	34
Total	300	100

VII. Special notes

A. Special Accommodations

Students who require special accommodations must request these services at the beginning of the course as soon as they notice that they need help. Students can access this service with Professor Jose Rodriguez, Coordinator of Students with Special Needs at the Guidance and Counseling Office on the first floor at Metro's Student Center.

B. Plagiarism

Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution. Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, Article 1, Section B.2 of the Student's Rules and Regulations handbook.

<http://metro.inter.edu/servicios/documentos/reglamentosestudiantes2006.pdf>

Inter American University has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter 5, Article 1, Section B.2c of the Student' Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

C. Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

VIII. EDUCATIONAL RESOURCES

Textbook

Lawrence, A. T. & Weber, J. (2008). *Business & Society: Stakeholders, Ethics, Public Policy* (12th ed.). New York: McGraw-Hill.

Miller, R. L., Benjamin, D.K & North, D. C. (2007) *The Economics of Public Issues* (15th ed) Boston: MA: Adison Wesley

Supplementary readings

Collins, S. M. (2006). *The Economy of Puerto Rico: Restoring Growth*. New York: Center for the New Economy.

Mishkin, F.S. (2006). *The Economics of Money, Banking and*

Financial Markets (8th ed.). Boston, MA: Addison
Wesley.

Viscusi , W. K. K., Harrington, J.E. & Vernon, J. M. (2005).
Economics of Regulation and Antitrust (4th ed.).
Massachusetts: MIT Press.

Weidembaun, M. L. (2004). Business and Government in the
Global Marketplace (7th ed.). Upper Saddle River, NJ:
Prentice-Hall.

IX. BIBLIOGRAPHY

Books

Miller, R.L., Benjamin, D.K. & North, D C. (2007). The Economics of Public
Issues (15th ed.). Boston, MA: Addison Wesley.

Salamon, L.M. (2002). The Tools of Government: A Guide to the New
Governance. Oxford, UK: Oxford University Press.

Stiglitz, J. E. (2005). Economics of the Public Sector (3rd ed.). New York: Norton.

Journal articles

Benston, G. B. (2006). Is Government Regulation of Banks Necessary? Journal of
Financial Services Research, 18(2-3), 185-202.

Bradbury, J.C. (2006). Regulatory federalism and workplace safety: evidence
from OSHA enforcement, 1981–1995.

Journal of Regulatory Economics, 29(2), 211-224.

Breyer, S. (1987). Antitrust, Deregulation, and the Newly Liberated Marketplace.
California Law Review, 70, 1044-1047.

Cary C. & Lazer, D. (2003). Management-Based Regulation: Prescribing Private Management to Achieve Public Goals. *Law & Society Review*, 37(4), 691–730

Kofman, M. & Pollittz, K. (2006). Health Insurance Regulation by States and the Federal Government: A Review of Current Approaches and Proposals for Change. *Journal of Insurance Regulation*, 24(4), 77-108

Lobel, O. (2004). The Renew Deal: The Fall of Regulation and the Rise of Governance in Contemporary Legal Thought. *Minnesota Law Review*, 89, 262–296.

May, P. J. (2007) Regulatory regimes and accountability. *Regulation & Governance*, 1(1), 8–26

OECD. (2007). Environmental Regulation and Competition.

Journal of Competition Law and Policy, 9(2), 170-173

Parker, C. (2006). The Compliance Trap: The Moral Message in Responsive Regulatory Enforcement. *Law and Society Review*, 40, 748–750.

Paul, C.M. & Siegel, D. (2006). Corporate social responsibility and economic Performance. *Journal of Productivity Analysis*, 26(3), 207-211.

Weiser, P. (2005). The relationship of antitrust and regulation in a deregulatory era. *Antitrust Bulletin*, 50, 549

Internet Resources

Antitrust Modernization Commission. (April 2, 2007). Report and Recommendations of the Antitrust Modernization Commission
<http://govinfo.library.unt.edu/amc/index.html>

Clayton Antitrust Act

<http://www.infoplease.com/ce6/history/A0812484.html>

<http://www.stolaf.edu/please/becker/antitrust/statutes/clayton.html>

Discrimination in price, services, or facilities 15U.S.C. Section 13 –<http://www.lawmall.com/statutes/rpa13af.html>

Fair Pay Fact Sheets by Occupation Under the Fair Labor Standard Act

http://www.dol.gov/esa/regs/compliance/whd/fairpay/fs17q_journalists.htm

Muris, T. (August 19, 2003). "The Federal Trade Commission and the Future Development of U.S. Consumer Protection Policy," Remarks before the Progress and Freedom Foundation's Aspen Summit;

<http://www.ftc.gov/speeches/muris/030819aspen.htm>.

Puerto Rico Constitution

<http://www.pubjts.com/bin/gate.exe?f=doc&state+1p41ka.6.1>

The Sherman Antitrust Act (1890)

<http://www.stolaf.edu/people/becker/antitrust/statutes/sherman.html>

Robinson-Patman Act

<http://www.infoplease.com/ce6/history/A0842115.html>

Rev. 10/2009