

Opportunities in Developing Economies Syllabus

This course explores the microeconomic structure of developing economies from the point of view of firms. The aim of the class is to understand the role of the private sector in the development process of these economies.

“... in the early stages of development [of an economy] ... firms – and therefore transactions – are small, product quality is not standardized, and economic agents have no forecloseable assets... The challenge [for development] is to move from personal to impersonal exchange”

- Fafchamps

This quote captures the objective of this class. We will be studying the role and performance of markets and market institutions in developing economies and how the private sector can foster the development of these economies. Often poor economic progress is attributed to dysfunctional market and business environments. In order to understand the nature of and solutions to this dysfunction, we will ask the following questions. What are the constraints to markets developing, political or otherwise? How can these constraints be alleviated? How can we “create” or encourage the development and the emergence of markets? Entrepreneurs in developing economies often fail to turn innovative ideas into sustainable businesses – yet in the few instances in which they succeed, the social returns to their efforts seem to be immense. How, therefore, can the role of private entrepreneurship be facilitated?

In these economies, up to 40% of the population lives on less than a dollar a day, human and crop diseases are prevalent, credit constraints and information barriers are severe, and transactions costs can be prohibitive. A great deal of exchange is personal - networks, relationships and trust are extremely important, but also precarious and unstable. Creating better, more efficient markets could yield considerable benefits, representing for many a route out of persistent poverty and the prospect of a longer, more fulfilling life.

The class covers three main areas. In the first few classes, we develop some frameworks to think about market failures and how closing these gaps can improve welfare. We discuss the need for experimentation and why this may be even more valuable in developing economies. We then move on to study some of the macro level constraints firms face specifically in developing economies and how these can be solved. The final section of the class covers micro level constraints by looking at specific sectors, the specific market failures in these sectors and examples of success cases. This will allow us to understand how firms have not just dealt with these constraints but also how they have created value by closing a specific market failure. We will cover infrastructure, financial systems, mobile money and payments, public-private partnerships, health, education and impact investing. Finally, we will close the class by discussing the role of management and leadership in developing economies.

Before each class, you are expected to read all “required readings” listed below.

Grading Scheme:

This is a case/readings-based class. There is no final exam.

Your grade for the course will be composed of the following:

Class participation:	30%
Grade on group assignment:	70%

Class participation is graded on a range of -2 to 3 in every class. If you do not attend class, you get a -2. If you are late, you get a -1. If you attend but do not speak up much, you get 0. If you speak up with at least one decent comment, you will get points ranging from 1 to 3, depending on the quality of the comment. Speaking up on its own is not enough to earn even a 1. A 3 will be awarded extremely rarely and is for a comment/question that really changes the discussion. Your final participation grade is an average of all the individual class grades.

The main deliverables for the class focus around a group assignment. I want you to be able to apply the concepts we learn in class to build an idea for an enterprise. You will pick a specific market failure and build an idea for a private enterprise that could fill this gap. I want this group assignment to be part business case and part market assessment of risk and constraint. I want you to use the frameworks and discuss the constraints we cover in class, along with data from a specific idea and environment. Since the group assignment is a large part of the grade, it is split into deliverables that are due throughout the semester as follows:

- Thursday Feb 25th: One pager on the market failure you have identified (and the country)
- Thursday Mar 3rd: Feedback from Tavneet and Anthony on one pager
- Thursday Apr 21st: Pitch in class (1-2 minutes depending on how many teams in class)
- Thursday May 12th: Final project due

Contact Information

Professor

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Required Readings

Tues Feb 2: Doing Good

Article: Doing Good and Doing Business at the Bottom of the Pyramid
Article: The Fortune at the Bottom of the Pyramid, available online at:
http://www.stuartlhart.com/sites/stuartlhart.com/files/Prahalad_Hart_2001_SB.pdf
Article (Economist): Good Business, Nice Beaches
Article (NYT Magazine): The Social Responsibility of Firms to Increase Its Profits
HBS Note: Market Failures

Thurs Feb 4: The Need for Experimentation and Evaluation/Measurement

Article (Atlantic): The Big Data Boom is the Innovation Story of Our Time
Article (Guardian): Why Impact Assessments Are Good for Non-Profits But Bad For Business

Thurs Feb 4: The Not So Basics of Experimenting

Tues Feb 9: Contracting Issues

HBS Case #9-911-031: Esquel Group: Building a Sustainable Partnership with Cotton Farmers in Xinjiang (A)
Article (WSJ): Business Sours on China

Thur Feb 11: Intellectual Property

Case: Hollywood in India: Protecting Intellectual Property

Tues Feb 16: No Class (Monday Schedule)

Thur Feb 18: Political Risk: Systems and Governance

HBS Case #9-309-107: Petrobras in Ecuador
Article (HBR): Doing Business in a Dangerous World

Tues Feb 23: Human Rights: Burma

HBS Case #9-798-078: The Burma Pipeline

Thur Feb 25: Corruption

HBS Case #9-707-030: Infosys in India
HBS Background Note #9-902-062: Global Approaches to Anti-Corruption

Thur Feb 25: One Pager on Market Failure Due by 5pm

- Tues Mar 1: Infrastructure**
HBS Case #9-112-096: Bharti Airtel in Africa
- Thur Mar 3: Alternative Energy**
- Thur Mar 3: Feedback on Market Failure One pager from Tavneet and Anthony**
- Tues Mar 8: Public-Private Partnerships**
HBS Case #9-712-049: GlaxoSmithKline in Brazil: Public-Private Vaccine Partnerships
- Thur Mar 10: Microfinance**
Article (Science): One-time transfers of cash or capital have long-lasting effects on microenterprises in Sri Lanka
Article (New Yorker): What Microloans Miss
Policy Brief: Where Credit is Due, <http://www.povertyactionlab.org/publication/where-credit-is-due>
Article: Innovation, Inclusion and Trust: The Role of Non-Profit Organizations in Microfinance
- Tues Mar 29: Financial Systems Beyond Microfinance**
Pre-Read for Bill and Melinda Gates, October 2015
- Thur Mar 31: Mobile Money in Africa**
Article (Bloomberg Businessweek): In Kenya, Securing Cash on a Cell Phone
Article (Economist): Flicker of a Brighter Future: Business in Africa
- Tues Apr 5: The Role of Technology (Guest: Dr Kamal Bhattacharya, VP IBM Research)**
Article (New Yorker): As Technology Gets Better Will Society Get Worse
Chomsky and Krauss: An Origins Project Dialogue (Part 2 which is the Q&A, feel free to watch Part 1 if you want): <https://www.youtube.com/watch?v=tbxp8ViBTu8>
Article (Economist): Has the Ideas Machine Broken Down
Article (Economist): The Third Great Wave
- Thur Apr 7: What Next After Mobile? (Guest: Dr Kamal Bhattacharya, VP IBM Research)**
Article (BoE): Innovations in Payment Technologies and the Emergence of Digital Currencies,
<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q3/digitalcurrenciesbitcoin1.pdf>
- Tues Apr 12: Disruptive Business Models (Guest: Michael Joseph)**

Article (Brookings): Scaling-up Through Disruptive Business Models: The Inside Story of Mobile Money in Kenya

Thur Apr 14: Scaling Across the Developing World (Guest: Michael Joseph)

Tues Apr 19: No Class (holiday)

Thur Apr 21: Elevator Pitches

Tues Apr 26: Turning Public Goods Into Private Goods

Article (CMR): Public Responsibility and Private Enterprise in Developing Countries

Thur Apr 28: Education in the Private Sector

HKS Case #2003.0: Primary Education in Pakistan: Show Me The Money

Tues May 3: Health

Article: Innovative Health Service Models for the World's Poor

Thur May 5: The Missing Middle

Article (JEP): The Missing "Missing Middle"

Tues May 10: Impact Investing

HBS Case #9-313-090: Omidyar Network: Pioneering Impact Investment

Article (Forbes): Is "Impact Investing" Just Bad Economics

Thur May 12: Management and Leadership

Article (Wired): Cultivating Genius in the 21st Century

Article: Management Practices Across Firms and Countries (available online at <http://web.stanford.edu/~nbloom/AMP.pdf>)

Article (HBR): Finding Great Ideas in Emerging Markets

Thur May 12: Final Projects Due by 5pm