

15.S68: Business Opportunities in Developing Economies Preliminary 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.

Contact Information

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Required Readings

Mon Oct 30: 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

Wed Nov 1: 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

Mon Nov 6: 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

Wed Nov 8: Political Risk: Systems and Governance

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

Mon Nov 13: Corruption

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

Wed Nov 15: Infrastructure

HBS Case #9-112-096: Bharti Airtel in Africa

Mon Nov 20: Financial Systems

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>
HBR Article <https://hbr.org/2016/10/making-microfinance-more-effective>
(Optional) Article: Innovation, Inclusion and Trust: The Role of Non-Profit Organizations in Microfinance

Wed Nov 22: Mobile Money in Africa

Article (Wall Street Journal): Mobile Banking Gives a Big Boost to Kenya's Poor, <http://www.wsj.com/articles/mobile-banking-gives-a-big-boost-to-kenyas-poor-1484324293>

Article (Economist): Flicker of a Brighter Future: Business in Africa

Mon Nov 27: Technology Addressing Societal Issues in the Developing World?

Article: From Giant Robots to Mobile Money Platforms: The Rise of ICT Services in Developing Countries, available at

<http://www.computer.org/csdl/mags/ic/2015/05/mic2015050082.pdf>

Article (Economist): The Great Chain of Being Sure About Things

Article: Distributed Consensus, available at

<http://cryptorials.io/glossary/distributed-consensus/>

Talk: Artificial Intelligence and Job Security, available at <http://econ.st/1US6E60>

Article (Economist): Rise of the Machines

Wed Nov 29: Innovation in the Private Sector (Guest Lecturer)

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

Article (HBR): Finding Great Ideas in Emerging Markets

Article: Management Practices Across Firms and Countries (available online at

<http://web.stanford.edu/~nbloom/AMP.pdf>)

Mon Dec 4: Turning Public Goods Into Private Goods

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

Wed Dec 6: Education and Health in the Private Sector

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

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

Mon Dec 11: Public-Private Partnerships

HBS Case #9-712-049: GlaxoSmithKline in Brazil: Public-Private Vaccine Partnerships

Wed Dec 13: Impact Investing

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

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