

**New York University
Robert F. Wagner Graduate School of Public Service**

**Protecting Rights and Promoting Development:
Labor and Environmental Standards in the Global Economy**

**P11.2236
Spring 2011**

**Tuesdays, 6:45-8:25PM
Goddard Hall B02**

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Instructor
Salo Coslovsky
Puck, 3096 - salo.coslovsky@nyu.edu

Office Hours: By appointment, on Tuesdays from 1:00PM to 3:00PM

Course description

Confronted with the pressures of globalization, business managers and investors from around the world often point out that labor and environmental regulations increase costs and decrease their ability to compete. Operating under similar principles, many elected leaders, hard-pressed to support businesses that operate locally, often promise to weaken or eliminate protective regulations altogether.

Yet, the removal of regulatory protections exposes workers, members of underprivileged groups such as children, women, and undocumented immigrants, and all those who live near production sites, to a range of negative externalities. Understandably, these individuals and their representatives, including NGOs, unions, community organizations, some government bureaucrats and elected politicians, insist that nobody should be forced to live in unhealthy, hazardous, and depleted settings in exchange for development that can be limited in duration and scope. Faced with such a dilemma, what are policy-makers and public managers to do?

This course examines some of the different ways that protective regulations can be made compatible with economic competitiveness in a global market economy. It identifies the origins and nature of the problem; some of the different solutions that have been proposed and implemented; the results that have been achieved; and the challenges that remain ahead.

Pre-Requisites

There are two pre-requisites for this course:

- P11.1018 - Microeconomics for Public Management, Planning & Policy Analysis
- P11.1022 - Introduction to Public Policy

(Or equivalent academic or professional background, with permission from the instructor)

Requirements

The grade will be based on the following:

- 30% Class participation
- 20% Policy memo
- 20% Peer-review exercise
- 30% Final research paper

This is a reading and discussion seminar and class participation will carry significant weight in determining final grades. Class participation is broadly defined as the student's contribution to the intellectual life of our community. Naturally, quality of contribution is more important than quantity, but it is always difficult to hit the bull's eye with only one bullet, so quantity and quality often go together. Students who bring pertinent new materials and case examples from their own experience, from newspapers and magazines, and from other courses to the discussions will improve their participation grades.

Those who intend to work in public service must learn how to write concise, persuasive, rigorous, and pragmatic policy memos. In this course, students will be required to write one policy memo on a specific problem concerning protective regulations that will be handed out in class two weeks in advance of the deadline. The memo must be no more than 4 pages long, including title and bibliography. See additional formatting information below.

One of the goals for this course is to help create a community of learning, in which all participate and contribute. To help foster this goal, students will read each other's abstracts and provide feedback. This is a peer-review exercise. Students will not be graded on the quality of their abstracts, but on the quality of the constructive feedback that they provide to their colleagues. I will also read the abstracts and provide guidance on how to move forward.

Finally, students will write one research paper (up to 15 pages long including bibliography and footnotes, same formatting as the memos) that will be due at the end of the course. Students are encouraged to incorporate ideas and issues discussed throughout the term into a comprehensive analysis of a topic of their choosing. Class time permitting, students will be asked to present their findings to other members of the seminar for feedback and critique.

Format and submission:

All assignments should be written on Times New Roman size 12, doubled-spaced lines (not 1.5), and one inch margins all around. Please submit them as .pdf or .doc (not .docx).

The assignments must include citations in the text and a bibliography at the end of the document. Use footnotes whenever appropriate, and use the following format for citations: if you are citing an idea or a concept, include (author's last name year) immediately after the passage, once per paragraph. If you are transcribing a passage, include the page number. For instance:

“...this type of engagement has been called responsive (Ayres and Braithwaite 1992, Braithwaite 2005), flexible (Bardach and Kagan 1982), tit-for-tat (Scholz 1984), creative (May and Burby 1998), and adaptive (Hawkins 1984).”

To submit your assignments, go to: <http://www.dropitto.me/salocoslovsky>. From there, you can upload the file directly to my computer. You will need a password, and I will give it to you in class.

Important, please remember to include your mailbox number in the file and use the following convention to name your files: LES [your lastname] [assignment]

For instance: LES Alvarez 1st memo.doc

Grading Policy:

I grade class participation, assignments and papers on a scale of 0 (zero) to 10 (ten), in which zero is absolute failure and 10 is a perfect score. Students who fail to submit an assignment will automatically receive an F for the course, unless you ask for an incomplete. At the end of the semester, I use the weights listed above to calculate your final score, and convert it to a letter grade according to the following table:

Numeric Grade	Letter Grade
Incomplete	Incomplete
<4.00	F
4.00 – 5.00	C
5.00 – 6.00	B-
6.00 – 7.00	B
7.00 – 8.00	B+
8.00 – 9.00	A-
>9.00	A

(borderline cases will be decided based on contribution to the class)

I do not intend to fail any student. If you are having difficulty keeping up, talk to me so we can devise a remedial plan for you to catch up and, hopefully, excel in the course.

Social networks and other digital resources

In case you want to connect, this is my policy regarding social networks:

- Twitter: I post occasionally, in both English and Portuguese, on anything that strikes my fancy. Follow me at your peril.
- Linkedin: I'd be happy to connect, feel free to send me a request
- Facebook: I reserve it for personal use. I'd be happy to connect after graduation

SCHEDULE

SECTION I UNDERSTANDING THE PROBLEM

- January 25 Scope and reach of the problem
- February 1 Global competition, race-to-the-bottom and the pervasiveness of regulations

SECTION II POLICY APPROACHES

Section II-a Global solutions

- February 8 Social clauses and carbon markets

Section II-b Private sector initiatives

- February 15 The role of customers: campaigns, fair trade & other labeling practices
- February 22 Local economies: clusters and supply chains / *Distribute abstracts for peer-review*
- March 1 Inside the black box: Managerial approaches
- March 8 Open discussion: abstract / paper workshop

March 15 Spring recess – NO CLASS

Section II-c Institutions

- March 22 Transmitting information in supply chains
- March 25 Friday (and no class) – Triangle Shirtwaist Factory commemoration day*
- March 29 Institutions for continuous upgrading
- April 5 Financial constraints and possibilities for sustainability / *Policy memo is distributed*

Section II-d Enforcing regulations

- April 12 Understanding street-level bureaucracies
- April 19 Styles of regulatory enforcement / *Policy memo is due*
- April 26 Managing enforcement organizations

SECTION III LOOKING AHEAD

- May 3 Regulations as lever of innovation
- May 10 **Final paper is due**

Readings

SECTION I UNDERSTANDING THE PROBLEM

A: The global scope and reach of the problem

How pervasive are protective regulations and what happens in their absence? What are the different logics and arguments used to justify regulation and deregulation? Who loses and who gains from regulation and deregulation?

Required:

Kahn, Joseph and Jim Yardley, *As China Roars, Pollution Reaches Deadly Extremes*, The New York Times, 26th August 2007- [link](#)

Larry Summers' *World Bank memo*, 1991 (apocryphal) - [link](#)

Rosenthal, Elizabeth, *Smuggling Europe's Waste to Poorer Countries*, The New York Times, 26 September 2009 - [link](#)

Kristof, Nicholas, *Two cheers for Sweatshops*, New York Times, 24th September 2000 - [link](#)

Benson, Todd, *No Streets of Gold in Sao Paulo*, The New York Times, 2004 – [link](#)

B: Global competition, race-to-the-bottom, and the pervasiveness of regulations

Is regulation vs. deregulation the right debate or should we take regulations for granted and question which kind of regulation instead? We read Karl Polanyi's classic piece on the 'double-movement' to examine one of the driving engines of protective regulations, and then we consider why, sometimes, even large corporations lobby for more regulations.

Required:

Tendler, Judith, *Small Firms, the Informal Sector, and the Devil's Deal*, IDS Bulletin, Vol. 33, No. 3, July 2002 - [link](#)

Polanyi, Karl, (1944) *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press, reprinted 2001, chapters 6 ("The Self-Regulating Market and Fictitious Commodities: Labor, Land and Money"), 7 ("Speenhamland, 1795") and 11 ("Man, Nature, and Productive Organization")

Vogel, Steven, *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*, Ithaca: Cornell University Press, 1998, introduction ("The deregulation revolution that wasn't") and chapter 1 ("Understanding regulatory reform")

Snyder, Richard, Politics *After Neoliberalism: Reregulation in Mexico*. Cambridge, UK, Cambridge University Press, 2001, chapter 2 ("From deregulation to reregulation in the Mexican coffee sector")

Recommended:

Stiglitz, Joseph E. "Democratic Development as the Fruits of Labor." Keynote Address, Industrial Relations Research Association (IRRA), Boston, January 2000

Rork, Jonathan C.; Getting What You Pay For: The Case of Southern Economic Development; Regional Analysis and Policy, 2005

Taylor, M. Scott "Unbundling the pollution haven hypothesis" (*Advances in Economic Analysis & Policy* 4(2), article 8, 2004

Leeson, Peter and J. Hall, "Good for the Goose, Bad for the Gander: International Labor Standards and Comparative Development". *Journal of Labor Research* 28(4) 2007: 658-676. - [link](#)

Rodrik, Dani, Why do More Open Economies Have Bigger Governments?, 1996 - [link](#)

SECTION II POLICY APPROACHES

Section II-a Global solutions

A. Social clauses and carbon markets

The enforcement of labor standards is so thorny and intertwined with global economic conditions that many scholars and activists believe that protective regulations can only be enacted at the global level. Likewise, some environmental problems – such as climate change - affect us all and, to many, ask for global solutions. This class examines the challenges surrounding the creation of carbon markets and the inclusion of 'social clauses' in trade treaties at the multilateral (e.g. WTO), regional (e.g. NAFTA), and bilateral (e.g. US-Cambodia) levels. Time allowing, we will also examine transnational activism in both the labor and environmental fronts.

Required:

MacKenzie, D. (2009) "Making Things the Same: Gases, emission rights and the politics of carbon markets" *Accounting, Organizations, and Society* 34(3/4):440-455.

Reddy, Sanjay and Christian Barry, Labor Standards and International Trade: A Proposal – [link](#)

Chan, Anita, and Robert J. S. Ross, Racing to the bottom: international trade without a social clause, *Third World Quarterly*, Vol 24, No 6, pp 1011-1028, 2003

Gallagher, Kevin, Is NAFTA working for Mexico? – [link](#)

Golub, Stephen, Are International Labor Standards Needed to Prevent Social Dumping? *Finance & Development* / December 1997

Recommended:

Joskow, P. L., R. Schmalensee, and E. M. Bailey (1998) "The Market for Sulfur Dioxide Emissions" *American Economic Review* 88:669-685.

Engels, A. (2006) "Market Creation and Transnational Rule Making: The case of CO2 emissions trading." In *Transnational Governance: Institutional Dynamics of Regulation*, M.-L. Djelic and K. Sahlin-Andersson, eds. Cambridge, UK:Cambridge University Press.

MacKenzie, D, Finding the Ratchet: The Political Economy of Carbon Trading, London Review of Books

Knox Hayes, J. "The Architecture of Carbon Markets" unpublished manuscript

Betsill, M., and M. Hoffman, "The Contours of "Cap and Trade": The evolution of emissions trading systems" unpublished manuscript

Woods, Ngaire, Who Should Govern the World Economy?, *Renewal*, Vol9, N.2/3 (2001):73-82.

Stavins, Robert N. 1998. "What Can We Learn from the Grand Policy Experiment? Positive and Normative Lessons from SO2 Allowance Trading." *Journal of Economic Perspectives*, 12 (Summer): 69-88.

Section II-b Private sector initiatives

B: The role of customers: campaigns, fair trade & other labeling practices

What role for customers? Fair trade regimes are now ubiquitous in the developed world, but are they scalable and sustainable? Are people willing to pay more for green and labor-friendly products? And is it reasonable to expect that private firms, beset by competition, act in socially responsible ways?

Jaffee, Daniel (2007). Brewing Justice: Fair Trade Coffee, Sustainability and Survival. University of California Press, chapter 1 ("A Movement or a Market?")

Hiscox, Michael J. and Nicholas F. B. Smyth, Is There Consumer Demand for Improved Labor Standards? Evidence from Field Experiments in Social Product Labeling, Working Paper, Harvard University,

Levi, Margaret and April Linton, Fair Trade: A Cup at a Time? Politics and Society, 2003

Vogel, David, The Market for Virtue: The Potential and Limits of Corporate Social Responsibility. Washington DC: Brookings Institution Press, 2005, chapter 2 ("Is there a business case for virtue?")

Recommended

Walsh, Jean Marie. Fair Trade in the Fields: Outcomes for Peruvian Coffee Producers, Masters' Thesis, Department of Urban Studies and Planning, MIT, 2004

Chakrabarty, Sayan and Ulrike Grote, Child Labor in Carpet Weaving: Impact of Social Labeling in India and Nepal, World Development Vol. 37, No. 10, pp. 1683–1693, 2009

Baland, Jean-Marie and Cedric Duprez, Are Fair Trade Labels Effective Against Child Labor? BREAD Working Paper No. 144, March 2007

Wilkinson, John, Fair Trade Moves Centre Stage, Working Paper 3, The Edelstein Center for Social Research September 2006

C: Local economies: clusters and supply chains

In developing countries, a large proportion of manufacturing activity takes place in industrial clusters. What determines whether these agglomerations of small firms will be competitive in the global market? And why is it that some groups manage to upgrade their capabilities and comply with labor and environmental standards, but others seem to be stuck in the 'low-road'? And then, many of these firms sell their products to "big buyers" such as Nike, Coca-Cola, Wal-Mart, and Gap. Can these multinational corporations be expected to monitor the behavior of their suppliers spread across the globe? What about second- and third-tier suppliers? How far can a corporation go, and what are the variables that help determine whether this control will be effective?

Required:

Nadvi, K. and Schmitz, H. (1999) 'Clustering and Industrialization: Introduction', World Development 27.9:1503-1514

Tewari, Meenu and Poonam Pillai, Global Standards and Environmental Compliance in India's Leather Industry, Oxford Development Studies, Vol. 33, No. 2, June 2005

Locke, Richard, Fei Qin and Alberto Brause, Does Monitoring Improve Labor Standards? Lessons from Nike, MIT Sloan School of Management, MIT Sloan Working Paper No. 4612-06, Rev. March 2007

Locke, Richard M., Matthew Amengual and Akshay Mangla, Virtue Out of Necessity?: Compliance, Commitment and the Improvement of Labor Conditions in Global Supply Chains Politics and Society, 2009

Recommended:

Schneider, Ben Ross and Richard Doner, Business Associations and Development: Why Some Associations Contribute More than Others. *Business and Politics* 2, no. 3 (2000) pp. 261-288.

Esbenshade, Jill, Monitoring Sweatshops: Workers, Consumers, and the Global Apparel Industry, Temple University Press, 2004, chapter 3 ("Private monitoring in practice"), chapter 4 ("Weaknesses and conflict in private monitoring") and Appendix 1 ("Confessions of a sweatshop monitor")

O'Rourke, Dara Outsourcing Regulation: Analyzing Nongovernmental Systems of Labor Standards and Monitoring, Policy Studies Journal, Vol. 31, no. 1, 2003

D: Inside the black box: Managerial approaches

Recent research has shown that non-compliance with labor and environmental standards in developing countries is in many ways a reasonable response to dysfunctional processes in the big corporations buying the products. This class examines these processes and the challenges associated with improving them.

Piore, Michael, "Labor Standards and Business Strategies" in Stephen Herzenberg and Jorge Perez Lopez (editors) Labor Standards and Development in the Global Economy, U.S. Department of Labor, Bureau of International Labor Affairs, Washington, D.C., 1990.

Gunningham, Neil; R. Kagan and J. Thornton, (2006). Shades of Green: Business, Regulation, and Environment, introduction and conclusion

Repenning N, and J Stearman (2001), Nobody Ever Gets Credit for Fixing Problems that Never Happened: Creating and Sustaining Process Improvement, California M Review 43, 64-88

Delmas, Magali A. Michael W. Toffel, Organizational Responses to Environmental Demands: Opening the Black Box, HBS, Working Paper, 2006

Section II-c Institutions

E: Transmitting information in supply chains

Chiffoleau, Yuna and Catherine Laporte, Price Formation: the Case of the Burgundy Wine Market, *R. franç. sociol.*, 47, Supplement, 2006, 157-182

Keerthipala, AP and KJ Thompson, A Cane Payment Formula for Sugarcane Small-Holders in Sri Lanka, *Sugar Tech* (1999), 1 (1&2) : 1 - 9.

Alder, Ken, A Revolution to Measure: The Political Economy of the Metric System in France, in *The Values of Precision*

F: Institutions for continuous upgrading

The so-called "Toyota system" of just in time production, quality control and continuous upgrading revolutionized manufacturing. Can we apply the same logic to other realms? In other words, can we create the conditions that encourage all stakeholders in an economy, cluster or supply-chain devote their best efforts to solve collective problems and upgrade labor and environmental standards?

Sabel, Charles. 1994. Learning by Monitoring: The Institutions of Economic Development." Pp. 137-65 in Neil Smelser and Richard Swedberg, eds., *Handbook of Economic Sociology*, Princeton: Princeton University Press

Sabel C, Fung A, Karkkainen B. 1999. "Beyond Backyard Environmentalism: How Communities are Quietly Refashioning Environmental Regulation." *Boston Review* 24:4-23

Sabel C, O'Rourke D, Fung A. 2000. "Ratcheting Labor Standards: Regulation for Continuous Improvement in the Global Workplace" KSG Working Paper No. 00-010

Recommended:

Owens, Alexandra, Testing the Ratcheting Labor Standards Hypothesis, Melbourne Journal of International Law 5(1) 2004 - [link](#)

G: Financial constraints and possibilities for sustainability

Elgin, Ben; Little Green Lies, Business Week, October 29, 2007

Eichholz, Piet, Nils Kok and John M. Quigley, The Economics of Green Building. Program on Housing and Urban Policy, Working Paper no. W10-003, September 2010

Additional readings TBA

Section II-d The role of governments

H: Understanding street-level bureaucracies

To a very large extent, the law is what law enforcers do. This class introduces the concept of street-level bureaucracies, examine the main theories on how street-level bureaucrats use their discretion, assess the pros and cons of different approaches to street-level regulatory enforcement, and discuss some of the recent research that strives to create a new theory of front-line regulatory enforcement.

Lipsky, Michael, Street Level Bureaucracy: Dilemmas of the Individual in Public Service, Russell Sage Foundation Publications, 1983, chapter 2 ("Street-level bureaucrats as policy makers"), chapter 3 ("The problem of resources"), and chapter 5 ("Relations with clients")

Kaufman, Herbert, The Forest Ranger: A Study in Administrative Behavior, RFF press, 1960, reprint 2006, pp. 3-7 and chapter 3 ("Challenges to unity")

Van Maanen, John, Observations on the making of policemen, Human Organization Issue: Volume 32, Number 4 / Winter 1973

I: Styles of regulatory enforcement: Conventional & Innovative

Required:

Piore, Michael J. and Andrew Schrank (2008) Toward Managed Flexibility: The Revival of Labor Inspection in the Latin World, International Labour Review, 2008

Ronald J. Gilson, Lawyers as Transaction Cost Engineers, in *The New Palgrave Dictionary of Economics and the Law*. Peter Newman, ed. New York: Stockton Press, 1998. p.508-514.

Eccles, R. G. & Crane, D. B. (1988) Doing Deals: Investment Bankers at Work. Boston: Harvard Business School Press

Recommended:

Schrank, Andrew (2005). Professionalization and Probity in the Patrimonial State: Labor Law Enforcement in the Dominican Republic. MIT/Sloan - IWER Seminar Series. Draft Paper.

Pires, Roberto (2006). *The forging of regulatory capacity: coproduction arrangements and enforcement styles in the monitoring of labor regulation*. Doctoral Research Paper. Department of Urban Studies and Planning, Massachusetts Institute of Technology, Cambridge, MA.

Greenhouse, Steven, *Korean grocers agree to double pay and improve workplace conditions*, The New York Times, 2002 - [link](#)

Attorney General of the State of New York, *In the Matter of M & T Pretzel Inc. and George Makkos* (pretzel case) - [link](#)

J: Managing enforcement organizations

Braithwaite, John and Ian Ayres, *Responsive Regulation*

Coslovsky, *Relational Regulation in the Brazilian Ministério Público*, Regulation & Governance, March 2011

SECTION III LOOKING AHEAD

A: Regulation as a Lever of Innovation

Regulations are often portrayed as ‘sand in the wheels’ of economic activity, but a growing body of research has been showing that, under certain conditions, regulations can promote creativity and innovation. This class examines some of the underlying features of economic organizations that allow for regulations (and regulators) to assume this role.

Required:

Taylor, Margaret R., Edward S. Rubin, and David A. Hounshell, *Regulation as the Mother of Innovation: The Case of SO₂ Control*, Law & Policy, Vol. 27, No. 2, April 2005

Acharya, Viral, Ramin Baghai, and Krishnamurthy V. Subramanian, *Labor Laws and Innovation*, Working Paper 16484 - <http://www.nber.org/papers/w16484>

Cohen, Boyd and Monika Winn, *Market imperfections, opportunity and sustainable entrepreneurship*, Journal of Business Venturing 22 (2007) 29– 49.

Recommended:

March, James G. (1994). *A Primer on Decision Making: How Decisions Happen*. New York: The Free Press. Chapter 1 (“Limited rationality”)

Sabel, Charles, *Bootstrapping Development: Rethinking the Role of Public Intervention in Promoting Growth*, On Capitalism, ed. Victor Lee and Richard Swedberg. Stanford Univ. Press (2007): 305-341.