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International Innovation in the Classroom

Professor Raymond J. Fisman:
The Private Sector and International Development

Brad Fusco MBA '07

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Columbia Business School students are increasingly interested in the business opportunities presented by emerging markets, while mindful of the development challenges that accompany them. So, it is no surprise that Professor Ray Fisman's the Private Sector and International Development is an especially popular elective on campus this semester.

While courses about international development have long been available to Columbia Business School students through cross-registration offerings at the School of International and Public Affairs, Professor Fisman's course is distinctive insofar as it approaches this subject from a private-sector perspective. In addition to providing a framework for studying the role of the private sector in international development, the course emphasizes the issues that are of particular importance for future managers in the developing world.

The first half of the course focuses on the nonmarket factors that influence private-sector behavior in the developing world, such as rule of law, corruption and political instability. The latter half examines the role played by international institutions, such as the World Bank Group, and international capital flows in promoting private-sector development. Throughout the course, students are compelled to move beyond the efficient-market worldview taught in the Managerial Economics core course and consider circumstances that are especially prevalent in the developing world, such as market and contracting failures. While exploring solutions to the problems caused by these circumstances, students gain an appreciation for the fact that private firms can have significant impacts—both positive and negative—in the places they operate.

The course is based on the growing body of scholarly literature commonly known as *institutional economics*, which according to Professor Fisman, provides “useful frameworks for describing the world in which organizations and individuals function.” The course is innovative in that it was the first course at a business school to make the connection between institutional economics and international development. Since then, professors at the Kellogg School of Management, Kennedy School of Government and Haas School of Business have developed similar courses that follow in its footsteps.

As Professor Fisman explains, “There is this emerging paradigm in development economics that revolves around institutions and institutional change. My hope over the next few years is to become increasingly effective in translating this vast academic literature into something that is understandable, comprehensible and of some practical relevance. In a changing environment, it is useful to have some fundamentals, some frameworks. So, the goal is to try to take this academic literature and translate it into a set of course materials that are interesting, edifying and, also crucially, of some practical relevance.”

In an effort to enhance the practical relevance of Professor Fisman's lectures, the course features a series of guest speakers that include some of the most distinguished

names in the fields of international development and global business. For example, Jeffrey Sachs, director of the Earth Institute at Columbia University and director of the United Nations Millennium Project, leads a discussion on the overarching issue of development and the private sector. Bill Browder, founder and CEO of the \$3.5 billion Hermitage Fund, contributes his experiences as the leading investor in Russia as an object lesson for a broader discussion about the causes and consequences of corruption.

In the future, Professor Fisman hopes to rely less on visiting speakers to provide the connection between theory and practice that is so fundamental to his course. Instead, he hopes to author a robust set of case studies that address political strategy and small-scale enterprise in the developing world to supplement the relatively few cases that are available today. He is in discussions with a colleague at the Kellogg School of Management, as well as one of the foremost authorities from the world of multilateral donor organizations, to develop these materials.

In the meantime, Professor Fisman continues to receive recognition for his innovative work in the classroom. He recently received a Rising Star Award from the Aspen Institute Business and Society Program, which recognizes professors who demonstrate extraordinary promise early in their academic careers, as well as leadership in integrating social issues into educational programs and business practice.

In light of this distinction, it is fitting that Professor Fisman says of his course, “My goal is not simply to extract [from the academic literature] that which has immediate and practical application. My goal is to also have people understand the way the world works.”

Raymond J. Fisman is an associate professor of finance and economics, research director of the Social Enterprise Program and a Bernstein faculty leader for the Sanford C. Bernstein & Co. Center for Leadership and Ethics at Columbia Business School.