

Assignment #4, 11.471 Sections VD-VE

These two subsections introduce a somewhat different perspective on small firms than those of the previous subsections of Section V. Unlike the previous readings of Section V, Section VD focuses on political-economy aspects of the attention paid to and claimed by the small-firm sector.

Berger, in reviewing the evolution of small-firm *and* large-firm policy in France and Italy, suggests that governments have certain reasons to deliberately treat small firms as objects of *social* policy, and *not* of economic-development policy. What are they? Medoff *et al.* present a political-economy analysis of support for small firms in the U.S. They raise some questions about the capabilities of small firms as a group to contribute to sustained local economic development, particularly in terms of the numbers and quality of jobs for workers—which can be seen as a *sine qua non* for poverty reduction.

How do you reconcile the views of these two readings with those of the previous readings on the importance of supporting small (and medium) firms as key to local economic development in developing countries? (In answering this question, you may treat each of the two readings separately if you wish.)

Section VE, in turn, turns the focus from firm owners to workers in firms, worker organizations, and the conditions under which there is a certain harmony—rather than the frequent conflict—in the relations between workers and their employers. The first reading of the three in this section—Rodrik—brings up labor questions related to the opening of borders and the impact of trade on labor and labor rights, work conditions, and wages. The second two readings (Locke and Damiani) look at cases in two markedly different countries and sectors. They provide us with some insight into the conditions under which relations between worker organizing and management can be cordial rather than conflictual—and where results are positive-sum rather than zero-sum for both sides: productivity and efficiency increase, allowing for increased returns for both workers and management. These studies show us that, in certain circumstances, there are more degrees of freedom for these positive-sum outcomes between workers and management than the usual discourse and policy analysis would suggest.

Point out one or more courses of action, intervention, or activism suggested by these readings of Section VE that are different from the other readings. (You may also find certain complementarities.) How might the analytics of the Locke case help you explain the positive outcomes of the Damiani case? What practical help could be drawn from these two cases studies on how to facilitate the kind of reduction of poverty that can result from the more macro recommendations of Rodrik about institutionalizing the generic struggle between labor and capital?

In answering these questions, feel free to draw on additional examples from your own experience or reading. Be sure to be specific and concrete. By the time you are through, you should have referred to all the readings in Sections VD-VE. The paper should be no longer than up to six double-spaced pages or 1,500 words, whichever is shorter, and papers should have at least one-inch margins for written feedback. The assignment is due **before** class on Thursday, April 17. No late papers will be accepted. Those not able to attend class on the day the papers are due should leave a hard copy at my office by 10:30am before class, in the outside mail slot.