

IPE @ WU NEWSLETTER

Institute for
International Political Economy

Spring 2023

Edited by: Ashley B. Simpson

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IPE-NEWS IN SPRING

Editorial by
MATTHIAS KOUREK, BA
Administrative Assistant

DEAR COLLEAGUES AND
FRIENDS,

Welcome to the spring issue of IPE-News. You are reading the second issue of the newsletter of the Institute for International Political Economy at the Vienna University of Economics and Business. Once again, we want to inform you about the Institute's current activities.

This issue is peppered with new and revised topics. We open it with a leading article by Ashley Simpson, in which she relates the content of IPE to the much-discussed topic of a guaranteed minimum income and considers this in the context of her home country, the United States.

Afterwards, in the extensive section on "Life at the Institute", we present several stories about the careers and successes of our colleagues. On page 10, we introduce you to a successful student from our courses, representing so many dedicated colleagues.

In teaching, we are in the middle of the summer semester. Our two Teaching and Research Associates Sidan Raeskyesa and Ashley Simpson are now in the lecture halls as teachers for the first time. Ashley Simpson also provides a detailed insight into the content of her current course on page 15.

Before that, you will find everything you need to know about our current Third Mission activities on pages 11-14: Our PPP event series continues to be a great success, and with "IPE Careers," another project is already in the starting blocks. We also bring an excellent Bachelor's thesis before the curtain and present it as an inspiring example of best practices. Finally, Prof. Jonas Bunte and Sidan Raeskyesa give insights into their ongoing teaching and research activities.

Thank you for your interest in International Political Economy.

If you have any questions or suggestions, please do not hesitate to contact us at: ipe@wu.ac.at. We will be happy to get in touch with you.

IPE in the world

WHAT CAN IPE TELL US ABOUT GUARANTEED INCOME AND THE US?

Leading article by

ASHLEY B. SIMPSON, MSc.

Teaching and research associate

If Americans value equal opportunity, why doesn't the US have widespread cash transfer programs that level the playing field for disadvantaged groups? The ability to afford necessities is a human right, yet the US lags behind other countries in implementing guaranteed income programs.

According to the Stanford Basic Income lab, guaranteed income programs can strengthen democracy, reduce economic and racial inequalities, empower women, and improve mental and physical health. Despite these potential benefits, however, there is significant resistance to these programs. What can IPE tell us about why cash transfer programs are opposed in the US and how to overcome these challenges?



Ashley B. Simpson, MSc.
© WU Vienna, IPE

One potential explanation for the lack of guaranteed programs in the US is culture. Americans believe in self-reliance and the idea that people must “pull themselves up by their bootstraps.” For example, a Pew Research survey in 2020 found that just over a quarter of the population (and 42% of right-leaning individuals) believes that people are poor because “they have not worked as hard as most other people.” In the traditional American narrative, individuals are responsible for raising themselves out of poverty through hard work and grit.

However, shock events such as the Covid-19 pandemic can provide an opportunity for reform. Welfare programs, like direct payments to citizens and the increased Child Tax Credit through the American Rescue Plan, have grown as the idea that individuals determine their economic success loses traction when the economy performs poorly. In terms of guaranteed income programs, left-leaning politicians and advocacy groups have recently created initiatives offering funds to low-income individuals with no strings attached. Los Angeles, for example, has been giving low-income families \$1,000 a month since June 2022.

Continue on the next page ...

Continuing:

WHAT CAN IPE TELL US ABOUT GUARANTEED INCOME AND THE US?

That the US has so few programs benefiting the poor might seem bizarre to those in Europe. Why do European countries provide strong safety nets and welfare programs for their citizens while the US does not? IPE theories in the Varieties of Capitalism (VoC) field can help explain why countries like Sweden provide universal welfare while the US relies on means-tested programs. For example, 19th-century Sweden had a small population with little labour, while the US had an abundance of cheap labour from enslaved persons and immigrants. Because labour was scarce, companies and entrepreneurs needed to cater to labour's interests, leaving the working class in a relatively strong political position. Labour's strength in Sweden resulted in universal welfare, while a weak working class in the US resulted in a means-tested welfare state. Policies, however, are not set in stone based on historical contexts. Domestic politics also have a role to play in determining these programmes.



© Canva / Alexander Mills

Unsurprisingly, local politicians with low-income and working-class constituents support guaranteed income programmes. For example, over a hundred mayors have joined the Mayors for a Guaranteed Income coalition in support of reducing poverty through cash transfer programmes. Former Mayor Keisha Lance Bottoms of Atlanta, where 275 low-income citizens received \$500 a month for a year, supports these programmes as “an important first step to achieving economic security, especially for those who have been overlooked and left behind because of economic inequality.”

However, some may fear that these cash transfer programmes are disincentives for employment. Another criticism is that they are too expensive to be sustainable in the long run. A possible solution to encouraging work might be distributing benefits through employers. And in the short run, donations from people like Jack Dorsey, who gave \$15 million to Mayors for a Guaranteed Income to fund pilot programmes, may offer a temporary solution.

If Americans want to change this narrative and increase the availability of extensive welfare programmes, what do they need to do? First, additional quantitative research providing evidence for the benefits of guaranteed income programmes (increased civic participation, stronger democracy, better health outcomes, and gender and racial equality) is necessary to win support from right-leaning groups and politicians. Concrete data will help overcome traditional narratives about economic self-reliance. Second, citizens can change current policies through civic participation. Society must ensure that low-income and minority voters can access the polls and participate in both local and federal elections. Finally, advocacy groups should emphasize the impact of guaranteed income programmes for middle-class and high-income voters. Evidence demonstrating that cash transfer initiatives increase economic growth or social cohesion would increase support across different classes.

LIFE AT THE INSTITUTE

Throughout the last months, the Institute developed steadily. On the one hand, some people have left us to take on new tasks in various fields - on the other hand, we have also been able to welcome a number of new colleagues to our team. These include, for example, a new teaching assistant and a new tutor, who introduce themselves below.



Theresa Tureček, BSc.
© WU Vienna, IPE

Theresa Tureček

I'm a tutor for the Institute supporting Jonas Bunte. After I finished my bachelor's degree at the Technical University of Vienna in Spatial Planning (Raumplanung und -ordnung), I studied Sociology at the University of Vienna for a semester before starting my master's in Socioeconomics at the University of Economics and Business, as I wanted to understand broader social and economic aspects of development.

My usual tasks include preparing seminars and developing case studies for different class exercises. I also help prepare data for the Institute's ongoing research work and do some extra tasks for research projects.

Apart from working as a tutor and finishing my master's, I also work in my mom's tobacco shop, helping her lead the business and care for the inventory control system. Before that, I also worked a few summers as an intern at a tobacco supplier in the logistics office - so I got to know the other side of the business. I am an active parish council member in the village where I grew up in the federal state of Lower Austria, responsible for different activities concerning kids around the year. In my free time, I love gardening and photography. At the moment, I want to learn to use all the different features of my reflex camera.

Jakub Barszcz

I am a teaching assistant assigned to the Institute, aiding with preparing the "Introduction to Research and Writing on Contemporary Policy Challenges II" course. I received an MA (Soc Sci) in Politics from the University of Glasgow, and I am currently working toward an MSc in Socio-Ecological Economics and Policy at the WU, expected to graduate this autumn.

I come from Slovakia, but spent a lot of time abroad, studying in the United States and Scotland. Before joining the Institute, I was an assistant working on a research project between the University of Glasgow and the Radboud University in Nijmegen in International Development. The project dealt with the link between donor countries' governance and foreign aid allocation and effectiveness. Before that, I interned for NGO's and co-organized an educational conference focusing on the role-play of European Union decision-making.

In my free time, I enjoy reading books and writing my own texts. Besides this, I enjoy cycling, hiking, cooking, and spending time with my loved ones.



Jakub Barszcz, M.A.
© WU Vienna, IPE / J. Barszcz



Nico Schuh

I am a Teaching Assistant working for the Institute for International Political Economy. I am also currently a student in the bachelor's programme in Socioeconomics at the WU. Initially, I planned to study Economics, but my experience in the "Sustainable Economics and Business" course led me to switch to Socioeconomics and helped inspire my interests in economic development and sustainability.

Nico Schuh
© WU Vienna, IPE / N. Schuh

Now, I support Prof. Bunte in redesigning the "Sustainable Economics and Business" course as part of the reform of the university's largest bachelor's programme, "Business, Economics, and Social Sciences," set to take effect in the winter semester 2023/24. The course will be the new "showcase course" of the new branch of studies "Economics - Environment - Politics." I support the development of new and innovative teaching methods that integrate technology and facilitate meaningful interactions between students and professors. I believe engaging students in discussions about our economy, environment, and politics is vital, and I hope that my work on redesigning the course will have the same impact on future students that the class had on me.

I plan to continue my studies in the same field by enrolling in a master's program in Socioeconomics, focusing on foreign politics, policies, and electoral systems. After completing my master's studies, I plan to enroll in a PhD programme and pursue a teaching position at a university. In my free time, I enjoy cooking and running.

RESEARCH ASSISTANTS

Our Research Assistants are vital in advancing the land and debt research project. We are excited to welcome nine new research assistants, who are collectively fluent in seven languages, to our team! Their competencies in Chinese, Dutch, English, French, German, Italian, and Spanish allow for data collection from diverse and international news sources.

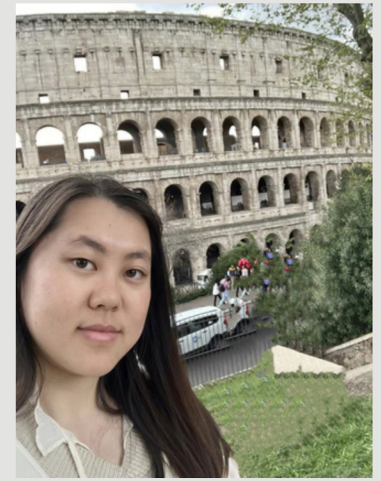


Students at WU Vienna
© WU Vienna

IPE Means Success

HAOYU WU

Success story by
HAOYU WU
Project staff member



In our new section "IPE Means Success" we want to present IPE-related success stories to you. In this issue, meet our colleague Haoyu Wu, who previously worked for the Institute as a research assistant and is currently a project employee in our research project "Selling Sovereignty."

Growing up in China, I was fascinated by understanding how the world works. Consequently, I studied economics for my undergraduate degree. However, as I learned more about economics, I realized that political considerations heavily influenced many economic decisions. After all, it is politicians who implement economic policy -- and quite frequently, politicians do not do what economists think they should do. This realization sparked my interest in exploring the relationship between politics and economics, which led me to pursue a master's degree in global studies.

However, I did not only want to "consume" academic knowledge as a master's student -- I also wanted to contribute to science. My ultimate goal is to obtain a PhD, so I needed exposure to cutting-edge research to sharpen my research skills. And I wanted to do this in the area of International Political Economy. I visited the "WU Matters" talk by Prof. Bunte in June 2022, and shortly after that, the Institute for International Political Economy was looking for research assistants. I applied and was fortunate to be hired. I worked with Prof. Bunte on understanding why some countries repay debt with land (such as Sri Lanka) while others do not.

This experience was a wonderful opportunity to learn about a particular issue area in IPE and develop new skills. Specifically, I developed valuable skills in independent research, such as collecting first-hand data and analyzing case studies. In addition, this exposure also allowed me to identify my research interests that combine my background in economics and my new interest in politics. While working at the Institute for International Political Economy, I was accepted into the PhD programme in political science at Yale University! I am incredibly excited about this opportunity to study with scholars such as Ken Scheve, Isabella Mares, and Ian Shapiro.

The experience and knowledge gained at the Institute for International Political Economy have undoubtedly played a crucial role in my acceptance to this program. The resources provided by the Institute and the intellectual atmosphere allowed me to develop my analytical and critical thinking skills and gain a deeper understanding of the political economy. I am incredibly fortunate to have worked with Jonas Bunte, who provided me with mentorship and a recommendation that played a significant role in my acceptance to Yale University. Lastly, I thoroughly enjoyed my time working at the Institute. My colleagues were incredibly friendly and created a stress-free environment that made me look forward to coming to work every day. I will fondly remember my time working here and look forward to continuing my academic journey.

Meet Our Team

D. G. SIDAN RAESKYESA

Dewa Gede Sidan Raeskyesa is working as a Teaching and Research Associate at our Institute. He is particularly interested in the research on Foreign Direct Investment (FDI). In this story about the defining moments in his academic career, he tells us why.

I still remember when my closest friend asked me: "Why do you really like to research foreign direct investment (FDI) and inequality? Is there any relation between the two?" To answer the questions, I usually point out several defining moments that led me to choose these topics. First, growing up in Jakarta, a city bombarded with multinational companies, made me ask: Why are these companies here? The question led me to decide to be part of them by working as a barista at Starbucks during my bachelor's study. At that time, I learned the culture and the system of providing good coffee and services to the customers.

Second, before becoming a Barista at Starbucks, I had to pass a few tests, including a basic English exam. Only a few out of more than 50 participants passed the test. The situation left me wondering: If you lack basic English skills, your chance of getting a job at Starbucks is lower than for the people who have these skills. However, not all people in Jakarta or other parts of Indonesia have equal access to proper education that provides adequate English skills. Does that mean that they are hindered from having a better job? Will this situation make inequality worse? I asked myself another question: Should we blame globalization or our government, which doesn't put enough effort into educating its citizens and tackling inequality?

With these questions in mind, I decided to do a master's study in Germany at the University of Mainz, focusing on international economics, where I met teachers who introduced me to the study of FDI. I also spent quite some time at the Kiel Institute for The World Economy, where I dealt with policies related to FDI and met my mentor Cecilia Hornok, Ph.D., with whom I wrote a paper. We analyzed the impact of the special economic zones on inequality in Indonesia. Afterwards, I was fortunate to get a position as an FDI consultant, where I could assist both multinational companies and governments in developing a strategy to attract FDI. During this time, I witnessed the important role of politics and domestic policies in determining FDI inflows.

These experiences in Germany transformed my initial questions into different forms and perspectives: It is not so much about blaming the particular aspect (re: globalization) for something that has happened (re: inequality) but more about understanding why foreign investment may increase or decrease socioeconomic disparities and how to make FDI contribute to the socioeconomic development of the host countries. Sustainable FDI requires effort from both sides, the foreign companies and the government in the host countries. My desire to learn more about the topic, my love of teaching, and my passion for discussing ideas motivated me to pursue a doctoral degree at the Institute for International Political Economy at WU. My ultimate goal is to use the political economy lens to further our understanding of the causes and consequences of FDI policies in developing countries.

*D. G. Sidan Raeskyesa, MSc.
© WU Vienna, IPE*



*D. G. Sidan Raeskyesa on
Research*

The People of IPE - Our Students

PHILIPP N. HENSSLER

The success of our institute also depends on our students. Therefore, in the "Our Students" section of each issue of the newsletter, we would like to introduce you to students who have successfully attended our courses and report on their experiences here. This time, we start with Philipp Henßler.



Philipp Henßler © WU Vienna, IPE / Ph. Henßler

I am in my 6th semester of studying Socioeconomics in the bachelor's programme at WU. Besides my studies, I am involved in the Students' Association (ÖH) of WU, where I work in the department of educational policy and advocate for the interests of students. Apart from the university, I am also active at the Economic Policy Academy WIPOL (*in German: Wirtschaftspolitische Akademie*). This offers students who are interested in economic and social policy a space for debate and exchange, focusing on promoting a plural and progressive understanding of economics.

My experiences in educational advocacy and progressive economics have shaped my interest in questions concerning how populations view democracy and challenges to cohesion in societies. The interdisciplinary nature of the socioeconomics bachelor at the WU is well suited to analyzing these issues. However, many of my courses emphasized theory over application. I felt like I was lacking exposure to practical knowledge about the intersections between politics and economics. This was one of the reasons why I was immediately interested in the courses offered by the Institute for International Political Economy.

Given my interests in democratic governance and social problems, I was drawn to the IPE courses "Modern Societies I and II." These courses focused on domestic and international current events and expanded my views on current social and economic challenges. Additionally, they pushed me to examine my intuition and improve my reasoning skills, which has been very helpful in all my studies. In the future, I plan to apply these critical thinking skills by pursuing a master's degree in political economy and potentially a career in politics or advocacy.

Pizza, Politics & (Motion) Picture

PARASITE & ERIN BROCKOVICH



Time flies: Four months have already passed since the last issue of our newsletter - and we can look back on two more successful editions of our "Pizza, Politics & (Motion) Picture" event series. The two editions took place in mid-January and at the end of March. The location has changed, but the high quality of the films has remained the same.

PPP advertisement January 2023 © WU Vienna, IPE

On the 19th of January 2023 the Institute hosted the second edition of PPP: Pizza, Politics & (Motion) Picture. Over 25 bachelor's and graduate students joined our team to watch *Parasite* and discuss International Political Economy in the South Korean context. Participants discussed the movie's themes and touched on several deeper issues. One student, for example, commented that the wealthy family not noticing the lower-income families using its resources might represent redistributive policies being resisted in theory but not so much in practice. The group also discussed how government-led rapid development can still leave people behind, despite state interventions.



We finished the event by considering our responsibilities to society as members of a privileged academic institution and our responsibilities to each other as instructors and students. The main takeaway was that academia must address real-world problems, such as income inequality and poverty, through both research and teaching.

Continue on the next page ...

PPP participants January 2023 © WU Vienna, IPE / M. Kourek

Continuing:

PARASITE & ERIN BROCKOVICH

The entire team of the Institute was very pleased that the third edition of PPP could take place on the 23rd of March 2023. Once again, numerous colleagues came together for a movie night with free pizza. The picture on the bottom left gives a good idea of how much pizza we ate.

PPP
 PIZZA, POLITICS & (MOTION) PICTURE
 Eat FREE pizza, watch a movie, discuss politics

Directed by: Steven Sonderbergh | Starring: Julia Roberts

ERIN BROCKOVICH

2001 Best Actress - Leading Role | Academy Awards, BAFTA Awards, Golden Globe Awards

Thursday 23 Mar. 2023 | D5 Lounge (6. OG) D5.6.029

PPP advertisement March2023 © WU Vienna, IPE

The subject of the film, however, was less fun. *Erin Brockovich*, a classic film from 2000, tells us the story of one of the biggest environmental scandals ever tried in the history of US justice. Unemployed and single mother Erin Brockovich, a paralegal, uncovers the enormous environmental pollution of one of the largest US energy companies, "Pacific Gas & Electric," in the Californian town of Hinkley, and the systematic cover-up of this crime. The company was eventually ordered to pay the largest damages ever awarded in the US.



Pizza boxes and our colleagues Nico Schuh & Matthias Kourek © WU Vienna, IPE / J. Bunte

In the discussion after the screening, the participants discussed questions around the topics of collective action problems, corporate social responsibility, the role of the state, the assertiveness of citizens' initiatives and, of course, the actions of the main character, Erin Brockovich.

What movie would you love to watch and discuss with fellow colleagues? Leave us your comments in this form:



PPP will continue – see you again on **1st of June, 2023**



Our Bachelors - Maja Waldmann

AMAZON AND THE FORMATION OF TRADE UNIONS

You may have already seen that we have started to collect best practice examples of current bachelor's theses on our website. We also want the colleagues behind these theses to have their say in our newsletter. In her bachelor's thesis, Maja Waldmann analyzed explanations for the success or failure of trade union formations at Amazon in the US.

Recently, Amazon workers in Staten Island won a historic victory, becoming the first US Amazon location to gain union representation. At the same time, a similar vote was taking place in Bessemer, Alabama, where workers voted against union representation. This presented me with the following puzzle: Why were the efforts of workers to unionize in New York successful, while those in Alabama were not, even though they faced an active anti-union campaign by Amazon in both cases? More generally: Why are the efforts of some workers to unionize successful, while others are not?

After an extensive literature review, I developed three types of explanations. The first two are based on existing scientific literature and the third, my original hypothesis, is based on differences that I had noticed between the two Amazon fulfilment centers. The three hypotheses argue that workers' efforts will be more successful when they a) have more effective campaign leadership, b) face less resistance in their political environment, and c) assign less value to their workplace and have less fear of losing it. Although all three explanations could explain the different results of the two elections in New York and Alabama, the significance of campaign leadership was the most convincing. The campaign in Alabama was led using the traditional top-down method, whereas in New York (former) Amazon workers led the campaign themselves. Creative grassroots movements like the one in New York prove to be much more successful in times of resource-rich anti-union campaigns by giants like Amazon.

What is my primary takeaway? Workers can learn from the mistakes and successes of their colleagues - it is more important to have many allies from within their ranks than the support of prominent individuals. Organizers should do everything in their power to meet workers on an equal footing, take their wishes and challenges seriously, and bring them on board. Politicians who want to counter the unequal power relations between employers and employees should pursue more effective laws (e.g. the PRO Act in the US) to protect active workers. Finally, we as consumers should ask ourselves what kind of working conditions we actually want to support with our purchase decisions.



Third Mission

INTRODUCING "IPE CAREERS"

We have questions! Why should one study IPE? How useful is combining such large and complex topics as economics and politics? What career opportunities are there if one specializes in IPE?

Questions like these will come up for many students at some point during their studies. For this reason, we at the Institute for International Political Economy have decided to provide a platform for these questions. We want to collect them and forward them to the right people.

With the new initiative **IPE Careers** we want to connect people who can answer questions like these with our students. At regular intervals, we ask people who work all over the world to meet for an interview. The aim is to provide students and the interested public with insights into the exciting professional opportunities in the field of IPE.



Edith Predorf
© Wirtschaftskammer Österreich / MARIE



IPE Careers Logo
© WU Vienna, IPE

We start the new series with Edith Predorf, the Austrian commercial counselor in Nairobi. Ms. Predorf represents the Austrian Chamber of Commerce in Kenya. Therefore, one of her main tasks is to support trade relations between Austria and Kenya. Together with the Foreign Trade Centre team, she helps Austrian companies to gain a foothold in the East African market and advises Kenyan companies on export and trade opportunities in Austria. Besides Kenya, the Nairobi office's area of responsibility extends to ten other countries in the region: Burundi, Djibouti, Eritrea, Rwanda, Seychelles, Somalia, South Sudan, Tanzania, Uganda, and Ethiopia.

You can visit us on our social media channels on LinkedIn and Facebook, where we continuously report on our new initiative. You can email us anytime and send suggestions for exciting questions for future interviewees.

Peeking into the lecture halls

TEACHING IPE

Teaching description by
ASHLEY B. SIMPSON, MSC.
Teaching and Research Associate

Financial Systems and Government Regulation

BSc Business, Economics and Social Sciences

Course series Zukunftsfähiges Wirtschaften / Sustainable Economics

Why do some governments bail out banks in a crisis while others do not, and what does this mean for taxpayers' money? Why can popular movements and elections affect stock market prices and strengthen democracy? Why might financial technologies (FinTech) increase financial inclusion and reduce economic inequality, and how should governments regulate digital finance to minimize systemic risk?

This course seeks to answer such questions by analyzing three issue areas: Banks, Stock Markets, and FinTech. The International Political Economy of Finance literature has numerous theories explaining the two-way relationship between politics and financial intermediaries. However, research needs to be developed in the politics of digital finance. This course invites students first to analyze foundational hypotheses in the politics of finance and then extend them to the innovative technologies transforming traditional finance. Specifically, this course examines theories identifying the motives of politicians, the economic interests of voters and firms, and the institutions such as electoral systems and regime types that transform differing interests into public policy that affects sustainable development issues, including financial development and inclusive economic growth.

The class presents theories through real-world case studies. For example, why did some Latin American countries escape financial contagion in the 1980s? If politicians in democratic countries delay bank failures in election periods, should politicians in authoritarian countries behave the same way? Why did politicians in India change corporate tax policies when the stock market was struggling? Why is FinTech adoption higher in Cameroon than in Nigeria?

By applying theory to real-world situations, students will learn to identify research questions and puzzles and answer these questions by outlining causal mechanisms and determining which hypotheses have the most explanatory power. Course assignments such as creating a podcast and writing a recommendation memo will strengthen students' abilities to communicate their ideas. Overall, this course will use banks, stock markets, and FinTech as a medium through which students develop reasoning skills to analyze sustainable development problems.

You want to learn more about our courses and our teaching philosophy? Visit our website:

www.wu.ac.at/en/ipe/teaching

NEW DEGREE "ECONOMY, ENVIRONMENT, POLITICS"

The Vienna University of Economics and Business is reforming the curriculum of its largest bachelor's program, "Economics and Social Sciences." Starting in the winter semester of 2023/24, another branch of study will be available to students: **Economy - Environment - Politics.**

Interdisciplinarity is redefined by combining content from socioeconomics, business administration, economics, and (business) law. We need more people who can not only analyze the economy but also understand it in connection with the pressing issues in the environmental field and who can use it to develop policy recommendations for society's challenges. The new study branch, therefore, aims to become the study programme for the best-trained sustainability experts of tomorrow. To achieve this goal, our Institute is significantly involved in content development, especially in the field of politics, of the new study branch.



WU Vienna Audimax / © WU Vienna

Find out more about the new study branch Economics - Environment - Politics:

Online on the website of the Department of Socioeconomics and on Instagram (available in German):

- www.wu.ac.at/soziooekonomie/wupol/
- www.instagram.com/wu_wupol/



WUPOL Information Department



WUPOL Logo © WU Vienna / Socioeconomics



WUPOL Information Department

Teaching IPE - Pedagogic Insight

OWNERSHIP PYRAMIDS AND CORPORATE GOVERNANCE

Teaching insight by

PROF. JONAS B. BUNTE, PHD

Head of the Institute



Prof. Jonas B. Bunte, PhD
© WU Vienna, IPE

What difference does a slight change in the law make? In short, it can fundamentally reshape the structure of an economy. But how to illustrate this power? As an instructor, I strive to engage my students in exercises that help them develop a deeper understanding of complex concepts. In this case, I wanted to illustrate the interaction between so-called ownership pyramids and changes in corporate governance laws.

Ownership pyramids are complex structures representing the relationships between companies and their owners, typically arranged in a hierarchical, pyramid-like shape. To make the exercise relatable, I began by using a practical example. In the 1990s, Bosch GmbH had a 25% interest in Stern Automobil. Stern Automobil, in turn, had a 25% stake in Mercedes, which had a 25% stake in Daimler-Benz.

We then embarked on the challenge of determining who ultimately controls a company. Ownership depends on the set of corporate governance laws. I asked students to calculate the percentage of Daimler-Benz shares owned by Bosch. In the United States, typically, one share equals one vote. I subsequently asked how many votes Bosch would control at a shareholder meeting of Daimler-Benz if these companies were in the United States. The answer, simply enough, is 1.56% of votes.

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Continuing:

OWNERSHIP PYRAMIDS AND CORPORATE GOVERNANCE

We then embarked on the challenge of determining who ultimately controls a company. Ownership depends on the set of corporate governance laws. I asked students to calculate the percentage of Daimler-Benz shares owned by Bosch. In the United States, typically, one share equals one vote. I subsequently asked how many votes Bosch would control at a shareholder meeting of Daimler-Benz if these companies were in the United States. The answer, simply enough, is 1.56% of votes.

However, German corporate governance laws add a wrinkle to this, which has drastic effects. Companies with a two-tier board structure allow for a 25% shareholder veto right or a controlling veto. A controlling veto is a legal provision in corporate governance law that grants a minority shareholder the power to veto decisions made by a company's board of directors or management, despite not holding a majority stake. This means that even if the majority of shareholders vote in favor of a particular decision, a minority shareholder with a controlling veto can block it. The controlling veto is typically granted to a shareholder who owns a significant portion of a company's shares, usually at least 25% or more.

I asked students to calculate how many votes Bosch would control at a shareholder meeting of Daimler-Benz if these companies were located in Germany. The answer? 25% of votes. A drastic difference. By doing this, we demonstrated how seemingly minor changes in governance laws can significantly alter the degree to which businesses are interconnected.

With this exercise, I aimed to foster an understanding of the relationships between different companies and how political and legal factors can shape these relationships. After all, a slight change in the law passed by politicians fundamentally shaped the degree to which an economy consists of a web of interconnected firms.



Teaching at WU Vienna / © WU Vienna

What our team is working on

THE EFFECTS OF RESTRICTING FOREIGN INVESTMENT

Research introduction by

D. G. SIDAN RAESKYESA, MSc

Teaching and research associate

Should you be happy or worried when politicians disagree with foreign firms and plan to increase restrictions towards them? Foreign direct investment (FDI) can benefit society by generating new jobs and knowledge spillovers. While this often comes as a way for politicians to keep and attract more voters, one should wonder what restriction policies would mean for society. Thus, how will limiting FDI and its benefits affect economic development?



D. G. Sidan Raeskyesa, MSc.
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Look at Indonesia as an example, where the government strives to increase foreign investment but is restrictive at the same time. Indonesia has created several initiatives to support foreign investors to invest in Indonesia, such as special economic zones, tax incentives, and regulation reforms. In 2021, during the opening of Hannover Messe, President Joko Widodo addressed the German Chancellor, Angela Merkel, by saying, "I am offering Germany the opportunity to develop a German industrial quarter in Batang integrated industrial zone." In 2022, the move seemed to work, as the Minister of Investment expressed that Volkswagen may invest in Batang Industrial Zone, Central Java, Indonesia.

However, let's look at the data from the OECD. Indonesia is one of the top five countries with high restrictions towards FDI, along with other countries such as the Philippines and Libya. The FDI restrictiveness index is an OECD index gauging the restrictiveness of a country's foreign direct investment rules by looking at several types of restrictions (e.g., ownership restrictions and employment requirements).

This puzzling situation comes as no surprise. Governments may use restrictive policies to influence foreign investment or to protect their domestic industries. How do domestic politics determine why some countries restrict FDI while others do not? In addition, are restrictive policies favorable or harmful to sustainable economic development?

I want to analyze the effects of the restrictions on critical socioeconomic dimensions such as inequality. Answering these questions will enable us to capture how FDI restrictions impact society's development and help governments design their policies.

LOOKING AHEAD - IMPORTANT DATES



Application process for the Bachelor's programme "Business, Economics, and Social Sciences"
(including the new WUPOL branch)

22nd May 2023

Deadline Online Registration & Payment Registration Fee

1st June 2023

Deadline Online-Self-Assessment (OSA)

4th July 2023

Online Open Book Exam

10th July - 5th September 2023

Admission period



27th April 2023

WU Online Master's Day



1st June 2023

Pizza, Politics & (Motion) Picture Fourth Edition

4th Sep. - 25th Sep. 2023

Registration Open for IPE courses in the winter semester 2023/24

Modern Societies I & II (Bunte)

8th Sep. - 12th Sep. 2023

Sustainable Economics and Business II (Raeskyesa, Simpson)

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Tue, Fri: 10:00 - 13:00

Scientist's joke

"I told my therapist about my fear of the x-axis. She said it was irrational. Which is easy for her to say – she's not the one being plotted against."