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Business, Government and the Global Economy

DOTT. GIORGIO CAPURRI

Overview

Area: Business

Dates: 12-23 July (2 weeks)

Campus: Milan

Course Number: IB / EC 320

Term: Winter School 2018

Credits: 6 ECTS

Course Description

The aim of this course is to describe global trade dynamics and analyze the key factors that affect the competitive position of a nation by investigating the economic forces that drive trade integration and how globalization is changing the macroeconomic scenario. The course will give some answers to the most important questions related to the international economy. What drives the competitiveness of nations? How can poorer countries be sustained in achieving better standard of life? How the world can address the challenge posed by climate change and systemic risks at large? How Technology is reshaping the current economic paradigm? What is the role played by multinationals and financial institutions in the global economy? What are the causes of the European debt problem? What are the likely consequences? The course will provide answers to these and other questions by mixing economic theory with facts and case studies, describing what globalization is from a historical perspective. A strong emphasis will be placed on the role of governments and international institutions in regulating trade and financial flows.

Prerequisites

Principles of economics

Method of teaching

Lecture, group work and in-class discussion

Learning outcomes

By the end of the course students are expected to be able to:

- Analyze the determinants of competitiveness of nations
- Understand the functioning of the global financial markets
- Understand the dynamics of globalization and market integration
- Understand the different viewpoints on the European debt crisis
- Understand the key systemic challenges a global economy must address

Course Requirements

Students are expected to comply with the following requirements:

- Regularly attend classes and actively participate to the discussions and debates
- Study in advance the assigned course readings



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- Present a group work on a course related subject (group project and presentation)
- Take a final written exam

Evaluation

Description	Share of the final mark	Timing
Midterm assessment	50%	Beginning of week 2
Final exam	50%	End of week 2

Detailed description of assignments

- **The mid-term assessment** will be based on the topic of world trade and trade policies. Students will be required to form groups (min 3 max 4 participants) and give a presentation. Each group will be assigned a specific topic and will report in plenary session to all the students. Essays will have to be sent via mail ahead of the presentation. Each student shall present part of the work and will be scored separately
- **The final exam** will be a written exam composed of two parts: part a) 10 multiple choice questions, part b) 2 essay questions to be chosen among 3 questions. The weights on the two parts of the final exam are 40% part a and 60% part b

Readings

There is not a formal textbook, however a more in-depth review of the topics covered can be found in *[KOM] Krugman, Obstfeld, and Melitz International Economics: Theory and Policy. 9th ed. Addison-Wesley.*

KOM is a reference text and the structure of the lessons is aligned with it. Furthermore, most of the chart presented in the course are taken from the book providing the student with an easy way of finding the specific topic on the book. The syllabus below reports as reference the chapter of the textbook for each topic.

Additional readings will be available on the blackboard and grouped by unit in dedicated folders.

UNIT 1: OVERVIEW OF WORLD TRADE AND THE COMPETITIVENESS OF NATIONS

Key topics:

Presentation of the course: goals, organization and overview of the syllabus. Assignments and evaluations: presentation and suggestions. A historical perspective of world trade, what, why and with whom we trade. Benefits of world trade, the standard Ricardian Model and comparative advantages. The determinants of comparative advantages: technological differences and differences in factor endowment.

Readings:

- lecture notes/slides, KO Ch. 1, 2, 3, 4
- World Economic Outlook Update 2021



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UNIT 2: PRODUCTION AND DISTRIBUTION IN THE GLOBAL ECONOMY

Key topics: Monopolies and economy of scale, the case for internalization. Introduction to the zero marginal cost economy. Dumping, international integration and offshoring. Overview of E-commerce and digital economy. The first two units will prepare the first visit to Expeditors, an International logistics company.

Readings: lecture notes/slides, KO Ch. 7, 8

UNIT 3: INTERNATIONAL TRADE POLICIES

Key topics: Analysis of the policies that governments adopt toward international trade, policies that involve a number of different actions. These actions include taxes on some international transactions, subsidies for other transactions, legal limits on the value or volume of particular imports, and many other measures. The antiglobalization movement. Case Studies on Brexit and Belt and Road Initiative.

Readings:

- Lecture notes/slides, KOP Ch.9, 10, 11 and 12.

UNIT 4: GLOBAL FINANCIAL MARKETS

Key topics: National Accounts and the balance of payments, and links with exchange rate, money and interest rates. Overview of global financial institutions and the public debt market, with a description of alternative monetary policies. How technology is affecting demand for money and eventually monetary policy itself. A basic understanding of market dynamics in practice will prepare the site visit at UniCredit.

Readings:

- lecture notes/slides, KOP Ch. 13, 14, 15, 16, 17, 18
- Dong He, Monetary Policy in the digital age, IMF 2018

UNIT 5: GLOBAL FINANCIAL STABILITY

Key topics: What is the global financial governance framework, a historical perspective to understand the rationale behind the Basel Agreements. What is a systemic important financial institution and what are the rules on systemic risk mitigation and the relevance for international trade? Thorough review of the financial turmoil of 2008.

Readings:

- lecture notes/slides, KOP Ch 19, 21,
- Global Financial Stability Report, IMF April 2018

UNIT 6: SOVEREIGN CREDIT RISK

Key topics: This lecture addresses one of the most controversial and up to date debate, the long term relations between public debt and growth. We will review the basic concepts and analyze the famous Rogoff Reinhart paper and its critics. Then, after a review of European Union history, we will focus on the EU Banking Union pillars and authorities. This lecture will give the final input to prepare the Second site visit.

Readings

- lecture notes/slides, KOP Ch. 20
- Reinhart, Rogoff 2010, Growth in a time of debt
- Herndon, Ash, Pollin 2013, Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff



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TOPIC 7: GLOBAL SYSTEMIC RISKS

Key topics: The final lecture will explore the most significant risks assessed by the World Economic Forum. Among these we will spotlight risks arising from technological transformation, climate change, and environmental risks in a broader sense, as potential systemic disruptive risks. A special focus will be dedicated to the economic impacts of the pandemic. We will see how climate change presents risk for the global economy and what is climate finance.

Readings:

- lecture notes/slides,
- WEF Global Risk Report 2018
- Carbon Tracker Initiative, Unburnable carbon 2013

Rules of conduct

Attendance: Attendance is mandatory, and no absence/s will be excused. Unexcused absences will prevent students from being admitted to the final exam. In case of health issues, students will need to inform both Cattolica International Office (at international.advisor@unicatt.it) and the professor and provide a medical certificate.

Exam Date: The exam date cannot be re-scheduled. Unexcused absences will result in a failing grade. In cases of unforeseeable circumstances such as illness or injury on the day of the exams, the student must submit a medical certificate and communicate his/her absence to the Professor and UCSC International Office via email prior to the exam. If the student does not justify his/her absence through sufficient documentation and with adequate notice before the final test, the student will receive an automatic Failed.

Bio of instructor

Giorgio Capurri is environmental management representative of UniCredit SpA. He holds a degree in Economics and Banking at the University of Siena and a Master in Natural Resources Management at the University Bicocca in Milano. His career spans from capital markets and interest rate derivative trading to environmental management and sustainability issues. He has served as UNEP FI Climate Change Advisory Group member and he is currently member of the Natural Capital Finance Alliance Steering Committee. He is guest lecturer in several universities in Italy for ten years and contract professor at Università Cattolica and Scuola Superiore Sant'Anna di Pisa.