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Business, Government and the Global Economy

DOTT. ANDREA ARIU

OVERVIEW

Area: Business

Dates: 7 -17 January (2 weeks)

Campus: Milan

Course Number: IB / EC 320

Term: Winter School 2019

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? How Technology is reshaping the current economic paradigm? What is the role played by multinationals and financial institutions in the global economy? Are we ahead of a protectionist era? 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 is globalization 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 dynamics of globalization and market integration
- Analyze trade policies and their possible consequences

Course requirements



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

Evaluation

Description	Share of the final mark	Timing
Debate and essay	50%	End of week 1
Final exam	50%	End of week 2

Detailed description of assignments

- Each student will be assigned to a team. Each team will be given a topic and a position in the debate (pro or con), which the team needs to research and argue. Each team must engage the opposing team in a 30-minute, in-class debate. Finally, each student will write a page essay (max 3 pages, 12 points times new roman single spaced, excluding bibliography) on the topic of his/her trade debate: the memo will reflect the student's true position on the issue. Essays are due the day of the debate both in paper form and by email.
- 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:

[MCL] John McLaren, International Trade, Wiley, 2002.

[KOM] Krugman, Obstfeld, and Melitz International Economics: Theory and Policy. 9th ed. Addison-Wesley.

Moreover, there will be suggested readings for the students that want to deepen their knowledge about the global economy and international trade.

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.



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UNIT 1: WORLD TRADE AND THE COMPETITIVENESS OF NATIONS

Key topics:

Presentation of the course: aims, 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.

Readings:

- McLaren, Chapters 1, 2
- Class slides
- Krugman, Paul (1993), "What Do Undergrads Need to Know about Trade?" American Economic Review (OPTIONAL)
- Krugman, Obstfeld and Melitz, Chapter 3 (OPTIONAL)
- Krugman, Paul (1996), "Ricardo's Difficult Idea" (OPTIONAL)

UNIT 2: PRODUCTION AND DISTRIBUTION IN THE GLOBAL ECONOMY

Key topics:

Imperfect competition and internal and external economies of scale. Monopolistic competition and oligopolistic competition.

Readings:

- McLaren, Chapters 3, 4
- Class slides
- Krugman, Paul (2008), "The Increasing Returns Revolution in Trade and Geography," Nobel Prize Lecture. (OPTIONAL)
- Krugman, Obstfeld and Melitz, Chapter 8, (OPTIONAL)

UNIT 3: FACTOR ENDOWMENTS DIFFERENCES ACROSS COUNTRIES

Key topics:

Specific factors models and Heckscher-Ohlin models of trade.

Readings:

- McLaren, Chapters 5, 6
- Class slides
- Krugman, Obstfeld and Melitz, Chapter 5 (OPTIONAL)
- Krugman, Paul and Robert Lawrence (1994), "Trade, Jobs, and Wages," Scientific American (in Pop Internationalism) (OPTIONAL)
- Freeman, Richard (1995), "Are Your Wages Set in Beijing?," Journal of Economic Perspectives (OPTIONAL)



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UNIT 4: 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.

Readings:

- McLaren, Chapters 7, 8
- Class slides
- Krugman, Obstfeld and Melitz, Chapter 9-10 (OPTIONAL)
- Rodrik, Dani (1997), Has Globalization Gone Too Far, Chapters 1-3 (OPTIONAL)
- WTO website, "Understanding the WTO" (OPTIONAL)

UNIT 5: OFFSHORING AND INTERNATIONAL MIGRATION

Key topics:

Offshoring practices, the firm decision to externalize part of the production abroad. Substitutability or complementarity of foreign labor for domestic labor. The effects of immigration on the economy and on the distribution of income.

Readings:

- McLaren, Chapters 11, 12
- Class slides
- Chapter 7 from Krugman and Obstfeld (OPTIONAL)
- The Economist (2002), "The longest Journey: A Survey of Migration" (OPTIONAL)
- The Economist (2008), "Special Report on Migration" (OPTIONAL)
- The Economist (2013), "Getting There: Progress, at Last, on Making Things Easier for Immigrants to America" (OPTIONAL)
- The New York Times Magazine (2006), "The Immigration Equation" (OPTIONAL)

UNIT 6: TRADE AND ENVIRONMENT

Key topics:

The effect of trade on pollution. Comparative advantage, regulatory policies and productivity issues. Pollution heavens.

Readings:

- McLaren, Chapter 13
- Class slides

UNIT 7: TRADE, MULTINATIONAL FIRMS, GROWTH AND DEVELOPMENT

Key topics:

The employment effects of trade on labor, growth and development. Child labor, sweatshops

Readings:

- McLaren, Chapter 13
- Class slides

Rules of conduct



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Attendance: Attendance is mandatory and no absence/s will be excused. One non-medical absence may be allowed only if prior notice is given to both the course instructor and to the International Office (at international.advisor@unicatt.it). Such absence and the motivation for the absence will have to be properly documented. Failure to provide advance notification for the absence or if the motivation for the absence is deemed not sufficiently substantiated will be considered as a complete absence. An unexcused absence will result in not being admitted to the final exam, and you will therefore be given a Fail, or a 0 (zero), for the final exam. Detailed academic policies will be handed out on the first day of the course.

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

Dott. Andrea Ariu is Assistant Professor at the Ludwig-Maximilians-Universität in Munich. He got his PhD from the Université Catholique de Louvain. His research focuses on international trade (with focus on services trade) and international migration. Previous to joining LMU Andrea spent two Post-Doc years at the Graduate School of Economics and Management, University of Geneva and thanks to the Robert Solow Fellowship one Post-Doc year at the McDonough Business School, Georgetown University.