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del Sacro Cuore

Business, Government and the Global Economy

PROF. ANDREA ARIU

OVERVIEW

Area: Business

Dates: 25 January - 5 February

Course Number: IB / EC 320

Credits: 6 ECTS

Course description

We will study the fundamental models of trade to understand its patterns, determinants, and consequences. Topics covered include: the gains from trade; the effect of trade on wages and income distribution; and, the relationship between trade and immigration. Then, we will analyze the tools used by governments to conduct trade policy (e.g., tariffs and quotas) and their impact on trade volumes and welfare.

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

Students are expected to comply with the following requirements:

- Regularly attend classes
- Actively participate to the discussions and debates
- Study in advance the assigned course readings
- Active class participation
- Present a group work on a course related subject (group project and presentation)
- Company visits
- Take the midterm Exam (Short essay)
- Take a final written exam



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Evaluation

Description	Share of the final mark	Timing
Class Participation	10%	During the course
Midterm Exam (Essay)	30%	Beginning of week 2
Presentation and Debate	30%	Beginning of week 2
Final exam	30%	End of week 2

Detailed description of assignments

- **Class participation:** The professor will ask several multiple-choice questions during the classes. A correct answer will provide one point, while wrong or no answer will be evaluated as zero.
- **Presentation:** Students will be divided in groups of 4 students. There will be five themes and two groups will engage in a presentation either in favor or against the topic and in a discussion with the other team. Every team member has to present. Presentations will take 20 minutes for each of the two groups (e.g., 5 minutes for each team member and 40 minutes total allocated to the two presentations) and the discussion will last for 20 minutes.
- **Midterm Exam:** It will be composed by a small essay (two pages max, times new roman 12pt single spaced) in which the student will provide his/her personal perspective on the topic assigned for the presentation. The student is allowed to bring material and to consult online sources and will have 4 hours to complete the task. It must be sent via email to the instructor
- **Final Exam:** The exam will be divided in three parts. In the first there will be 10 multiple-choice questions (one point for correct answer and zero for a wrong one). The second will be an exercise. The third will be an open question on the topics covered during class or during the presentations to choose among three options.

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)

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.



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

Readings:

- McLaren, Chapters 11, 12, 13
- 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)

Rules of conduct

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 University of Milan. 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 the University of Milan Andrea held an Assistant Professor position at the Ludwig-Maximilians-Universität in Munich, and Post-Doc positions at the Geneva School of Economics and Management and at the McDonough Business School, Georgetown University.