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Business, Government and the Global Economy

PROF. COLOMBO EMILIO

Area of study:	Business and Economics
Area Code:	IB/EC320
Method of Instruction:	in-person

Description

The aim of this course is to 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 on the most important questions related to the international economy. What drives the competitiveness of nations? Are emerging nations competing unfairly due to lower wages? Should we be scared of Chinese competitiveness? What is the role played by multinationals in the world economy? What explains the current stalemate in the world trading system? How trading rules can be modified to help poorer countries to grow faster? The course will provide answers to these and other questions by mixing economic theory with facts and case studies. A strong emphasis will be placed on the role of government and international institutions in regulating trade and financial flows and in setting the needed standards.

Course contents

WEEK 1-2: THE LONG RUN, GROWTH INEQUALITY AND INDUSTRIAL DEVELOPMENT

Key topics:

- Presentation of the course: aims, organization and overview of the syllabus
- Assignments and evaluations: presentation and suggestions
- Introduction to long run growth
- Growth facts.
- Growth and inequality
- Growth industrial development and specialization

WEEK 3: WHAT DRIVES THE COMPETITIVENESS OF NATIONS? THE ROLE OF TECHNOLOGY

Key topics: this class will analyse the first obvious determinant of comparative advantages: technological differences. We will address this issue using a simple model called the Ricardian model that stresses the role of technology as the main determinant for comparative advantage and trade. Using this model we can ask what are the factors underlying trade between advanced countries that are on the technological frontier (i.e. the US) and poor countries (i.e. Africa)

WEEK 4: WHAT DRIVES THE COMPETITIVENESS OF NATIONS? THE ROLE OF FACTOR ENDOWMENT

Key topics: this class will analyse the second obvious determinant of comparative advantages: differences in factor endowment. We will address this issue using a simple model called the Heckscher Ohlin model that stresses the role of factor endowments as the main determinant for comparative advantage and trade. Using this model we can ask what are the factors underlying trade between labour abundant countries (i.e. China, India) and capital abundant countries (i.e. US and Europe)

WEEK 5: TRADE AND MARKET SIZE

Key topics: not all trade occurs between countries with large differences in terms of technology or factor endowment. For example the majority of trade in Europe occurs within it i.e. among European countries.



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Therefore, other factors must be at work as determinants for this type of trade. An obvious candidate is market size. In other words having access to a larger market (i.e. the European market) could be per se a reason for opening up to trade.

WEEK 6: RESOURCE TRADE, OUTSOURCING, AND PRODUCT FRAGMENTATION

Key topics: countries trade not only goods and services but also factors of production, i.e. capital and labour. We will concentrate on movement of capitals and in particular on one way of transferring capital: the one through multinational firms. We will investigate the key aspects of multinational firms and the problems associated with them.

WEEK 7: Dumping

Key topics: having analysed the main determinants of trade: comparative advantages on the one hand and market size on the other, in this class we will try to have a complete picture putting together the different aspects and effects of trade integration

WEEK 8: TARIFFS TAXES, AND THE INTERNATIONAL TRADING SYSTEM

Key topics: despite the fact that trade is good for the economy, in practice many countries protect themselves limiting trade. We will analyse the tools used for restricting trade (quotas, import taxes, export subsidies etc.) and the reasons for doing it.

WEEK 9-10: GAINS FROM TRADE VS PAINS FROM TRADE

Key topics: during these classes we will widen the debate between protectionism vs free trade by considering the effects of trade policies on developing countries. We will analyse what are the key factors that are preventing poor countries from ripping the full benefits of free trade.

Prerequisites

Background in principles of economics

Method of instruction

Lectures, group work and in-class discussions.

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
- Present a written mid term essay (mid term assessment)
- Take a final written exam (final exam)

Credits

6 ECTS

Grading and Assessment

- Midterm assessment (project work on Dumping): weight 50%. Timing to be decided with the instructor
- Final exam: weight 50%. Timing: final week



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DETAILED DESCRIPTION OF ASSIGNMENTS

- The mid term assessment will be based on the argument of Dumping. Students will be required to form groups (min 2 max 3 participants). Each group will consider a case of dumping on a specific product. The group will deliver a report (approx 15 pages) stating the problem, how the dumping case was assessed, and analyzing the consequences of the anti-dumping measures undertaken. Essays will have to be handed in by email by the time set by the instructor
- The final exam will be a written exam composed of two parts:
 - part a) 15 multiple choice questions,
 - part b) 2 essay question to be chosen among 3 questions.
 - The weights on the two parts of the final exam are 40% part a) and 60% part b)

Exam Date: exam dates communicated on Blackboard for the midterm and final 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.

Course readings and materials

[KO] Krugman and Obstfeld, International Economics: Theory and Policy. 11th ed. Pearson [KO].

An alternative good textbook is Caves, Frankel & Jones. World Trade and Payments. 10th ed. Addison-Wesley.

Additional readings will be provided for every topic.

Instructor bio

Prof. Emilio Colombo earned a PhD in Economics from the University of Southampton. He is currently Associate Professor at Università degli Studi di Milano-Bicocca, where he has taught lectures and seminars on International Trade, International Macroeconomics and Finance, Economics of European Integration, and a Master's course in Finance and Risk Management. His research interests include International Economics, Macroeconomics and Labour Economics. Among Professor Colombo's more recent publications (in English): "Statistical Learning and Exchange Rate Forecasting" International Journal of Forecasting (2020), "Informality and the Labor Market Effects of Financial Crises", World Development (2019) and "AI Meets Labor Market: Exploring the Link Between Automation and Skills", Information Economics and Policy (2019).

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