

# Global Political Economy

## Academic Year 2016-2017

### **Lecturers:**

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### **Webpage of the course:**

<http://giovamarin.altervista.org/> Section "Teaching" or <http://tinyurl.com/hlsanfl>

Material (e.g. slides, articles, etc) in electronic format will be posted on the course webpage

### **Object:**

The course is aimed at providing an overview of economic issues related to global economy by combining concepts of international economics and international business. A combination of standard economic models and empirical evidence (based on historical data or case studies) is employed to understand what drives international trade between countries and foreign direct investments of multinational firms as well as to discuss which are the consequences of globalization on socio-economic dimensions.

Specific goals of the course are:

- understand how to interpret data about globalization processes;
- gain knowledge about standard models that explain international trade flows and other internationalization patterns (mainly foreign direct investment and international fragmentation of production) carried out by multinational enterprises;
- evaluate how globalization processes impact socio-economic systems in both developed and developing countries.

### **Expectations:**

- Students are expected to actively attend classes. The professor will keep a register of class participation which will be reflected in the final assessment.
- Students are expected to obtain a copy of the text-books:

- Beugelsdijk S, Brakman S, Garretsen H, van Marrewijk C "International Economics and Business. Nations and Firms in the Global Economy", Second Edition, Cambridge University Press, 2013
- Castellani D, Zanfei A "Multinational Firms, Innovation and Productivity", Edward Elgar Publishing, 2006

A copy of the texts are available at the concierge's desk on the upper floor of the Istituto di Lingue. You may take these for reading in the Faculty, but must return them to my mail box before leaving. The text will be supplemented with slides, academic articles and handouts delivered in class. Further readings and material are available on the webpage of the course.

- The evaluation consists of three blocks.
  - A first midterm written exam will take place on March 21. The aim of the first midterm exam is to assess the understanding of students about how to interpret data about globalization and on the concepts of 'comparative advantage' and 'factor endowment'.
  - A second component of the overall evaluation refers to the assessment of a short essay (prepared in group) aimed at discussing a specific topic assigned by the professor in the light of the models and data discussed in the previous classes. Essays must be submitted to the instructor by April 18. Groups of students will then be asked to present their topic in class (April 26-27, May 3). Further information about the short essay (length TBD) will be delivered on the 23 March 2017 in class .
  - The third component will be a final written exam that will take place on May 10.

The evaluation of the student is structured as follows:

Midterm exam	30%	
Students' essays and presentations	20%	
Final exam	50%	=100% (30 cum laude)

The Italian grading system operates on a 0 - 30 basis. For the purposes of this course:

30 - 30 e lode	=A
28 - 29	=A-
26 - 27	=B+
24 - 25	=B
22 - 23	=B-
20 - 21	=C+
18 - 19	=C
Below 18	=F

Grades will be assigned as above using a percentage format (out of 100%) and translated into the appropriate letter grade and Italian grade scale mark.

## Lesson Programme:

Week	Date	Hrs	Lecture	Title	Details	References
1	18-19 Jan 2017	3	1-2	Introduction to the course: dimensions of globalization and key stylized facts	Objectives and structure of the course; evaluation; material. Short introduction about the dimensions of globalization; macro-trends in growth, trade, FDI, MNEs, migration to characterize globalization as an 'old' phenomenon with new peculiarities	Slides; BBGV Ch 1 & 2
2	25-26 Jan 2017	3	3-4	Basic concepts of microeconomics and industrial organization	Introduction to basic concepts in microeconomics and industrial organization that are needed to understand models of international trade and business: Demand, supply, market equilibrium, factors of production, relative prices, perfect competition, oligopoly and monopoly	Slides; Varian Ch 5, 13, 14, 16
3	1-2 Feb 2017	3	5-6	Comparative advantage (Ricardo)	General description of the determinants of trade. Introduction to the concept of comparative advantage. Assumptions of the Ricardo model and model's results	Slides; BBGV Ch 3
4	8-9 Feb 2017	3	7-8	Factor endowment: HO model	Discussion of the role of factor endowment (closed economy). Introduction to the Heckscher-Ohlin model. Assumptions of the HO model. Model's predictions	Slides; BBGV Ch 3
5	14-15 Feb 2017	3	9-10	Beyond comparative advantage and factor endowment: intra-industry trade	Discussion about the lack of empirical verification of the findings of the Ricardo and HO models; evaluation of whether the assumptions behind these models are verified in practice; quantitative assessment of intra-industry trade; discussion of models that rely on the assumption imperfect competition to explain intra-industry trade	Slides; BBGV Ch 4
6	21-22 Feb 2017	3	11-12	Internationalization, firm heterogeneity and trade costs	Brief overview of models of trade with firm heterogeneity; definition of trade-related costs; impact of trade costs on firms' strategies; the gravity model	Slides; BBGV Ch 4 and 6
7	1-2 Mar 2017	3	13-14	Trade costs, internationalization strategies and imperfect competition	Liability of foreignness; definition of different internationalization strategies of firms (e.g. export vs FDI); assessment of how the assumption of trade costs and imperfect competition affects firms' internationalization strategies	Slides; BBGV Ch 6

March break						
8	15-16 Mar 2017	3	15-16	FDI and firm-specific advantages	Evaluation of how firm-specific advantages influence internationalization strategies of firms	Slides; BBGV Ch 7
				FDI and firm-specific advantages	Focus on 'technology' as a source of superior advantage and brief overview of the role played by technology in the choice of internationalization strategies	
9	21 Mar 2017	1,5		<b>Exam on lectures 1-14 (30% of final mark)</b>		
	22 Mar 2017	1,5		<b>Assignment of topics for essays and presentations to groups of students. The essay is due by April 18 (20% of final mark)</b>		
10	29-30 Mar 2017	3	17-18	Technology, demand and FDI; asset-exploiting and asset-seeking FDI ( <b>Prof. Zanfei</b> )	Product life cycle and technological accumulation models focusing on the role played by innovation and its interaction with internationalization strategies; ex ante and ex post advantages as drivers of FDIs. How can these be empirically identified	Slides; CZ Ch 1, 2
11	5-6 Apr 2017	3	19-20	Effects of globalization: economic growth, offshoring, wages and skills	Evaluation of the mechanisms through which globalization may contribute to economic growth; assessment of the impact of globalization on offshoring of production, wages and skills	Slides; BBGV Ch 13 and 14
12	11 Apr 2017	3	21-22	Effects of globalization: inequality and social dimension	Discussion about winners and losers of globalization processes and of the distributional consequences of globalization	Slides; BBGV Ch 14
	12 Apr 2017			FDI spillovers on host economies ( <b>Prof. Zanfei</b> )	Evaluation of the economic, technological and social impact (including spillovers) of FDI on the countries that hosts the investment	Slides; CZ Ch 5
13	19 Apr 2017	2	23-24	<b>Role-play game of the global economy</b>	The class will be split into groups that represent different actors in the globalization process. Each group/actor (e.g. investors, workers, NGOs, etc) should prepare a press release to comment the likely consequences of an announcement about a 'globalization-related' event (e.g. new trade agreement, ban to FDI, opening of a new subsidiary abroad, etc) from the point of view of each actor	
	20 Apr 2017	1		Globalization and the environment	Environmental consequences of globalization; pollution haven hypothesis; pollution embodied in trade	Slides
14	26-27 Apr 2017	3	25-26	<b>Students' presentations</b>		
15	3 May 2017	2	27	<b>Students' presentations III</b>		
	10 May 2017	2		<b>Final exam (50 % of final mark)</b>		