Topics in Economics

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International Management Master's Degree Programme – UNICA



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Who am I?

- Professor of Economics
- CRENoS
- MaPE
- Jean Monnet chair
- Research interests:
 - National and regional technological systems

 - Technological externalities and spillovers European innovation and production system
 - Regional economics
 - Economics of tourism



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Who are you?	
Short presentation At least name and surname	
But also, if you want, something about your background and your expectations about this course and the whole programme	
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First module: topics in Development	
Economics and European Economics	
 Coursework will provide students with a solid basic understanding of theoretical and empirical models of development economics 	
A particular emphasis is given to the process of localization of	
innovation activities and the process of knowledge production and diffusion.	
Moreover students will be introduced to some basics of regional economics referring to the process of localization of economic	
activities, both from the perspectives of consumers and producers. • Finally the course will provide some basic knowledge on European	
Economics and some topics referring to the strategies of the European Union on crucial issues, such as economic cohesion and	
development.	
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Second module: topics of labour	
economics	
The second part of the course will be concerned with three main different topics.	
The first one is the measurement of managerial practices	
and the effect of the quality of such practices on performance in different sectors. Particular attention will	
 be dedicated to manufacturing and public sectors. The second module of the course will be related to the 	
study of the effects of labour regulations, as employment protection and trade unions on growth of productivity and	
investment in different sectors.	

Finally, the third part of the course will study internal labour market careers in contexts in which firms can set their wage policies.

INTERNATIONAL CORPORATE FINANCE	6	DE LISA Riccardo	giovedì 1 ottobre			12-14 aula 12	12-14 aula 12
TOPICS IN ECONOMICS		USAI Stefano	mercoledì 7 ottobre	solo 20 ottobre h. 10-12 aula 3	10-12 aula 12	10-12 aula 12	10-12 aula 12
7-8-9-14-15-16-20-21 ottobre; 4-5-6-11-13 novembre	9						
TOPICS IN ECONOMICS		SULIS Giovanni	mercoledì 18 novembre		10-12 aula 12	10-12 aula 12	10-12 aula 12
18-19-20-25-26-27- novembre 2-3-4-9-10- 11-16 dicembre							

Calendar				
	07-Oct	2		
	08-Oct	4		
	09-Oct	6		
	14-Oct	8		
	15-Oct			
	16-Oct	10		
	20-Oct	12		
	21-Oct	14		
	22-Oct	16		
	23-Oct			
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	29-Oct	20		
	30-Oct			
	04-Nov	22		
	05-Nov	24 26		
	06-Nov	20		

Irai	nın	\mathbf{a}	าท	lect	ives

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- The primary goal of this course is to introduce advanced students in international management to economic analyses of some specific topics of Economics, such as Development Economics, Economics of Innovation, Regional Economics, and European Economics.
- As prerequisites, students should know the basic principles of Economic Analysis, Micro and Macroeconomics

Didactic Methods and Learning assessment procedures: module A

- The course consists of lectures and workshops in which there will be more interaction between students and teacher and among students themselves.
- The program includes presentations by students both oral and of written documents.
- The evaluation will take place through a written exam (50%) and one assessment during the course (50%).
 Students will have to prepare a written country-report.
- The written exam consists of two open questions (closed books) on the topics taught in the course. Students choose to answer just one out of two.

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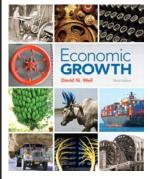
Learning assessment procedures: module A and B

- Whole Exam
- The evaluation will take place through a written exam (50%) and two assessments (one for each module) during the course (25% each). Students will have to prepare a written report (module A) and to present a specific study to the class (module B). Students that will not present the report/study to the class will be required to write the entire exam (4 questions instead of 2).
- The written exam consists of four open questions (closed books) on the two topics taught in the course (2 for module A and 2 for module B). Students that present the report/study can choose to answer just two out of four (one for each module). [30 minutes per question].

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Textbooks and other texts



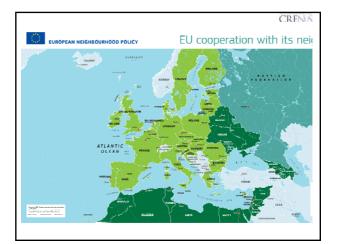


Country report

- 3/5 pages, cover included, if any
- One page devoted to a statistical overview of the socioeconomic background
- Eligible countries

 - EU28
 Enlargement candidates
 - » Albania, Bosnia and Herzegovina, the former Yugo Macedonia, Iceland, Kosovo*, Montenegro, Serbi

 - European Neighbouring countries
 * Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia, Ukraine



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Cases

- Report on a EU contry for an extra EU multinationals
- Report on a candidate country for a government body of a EU
- Report on a EN country for an ONG based in EU
- Report on either a candidate or a EN country for EU institutions (a DG for example)
- Others?

Report delivery

- Report: pdf file via mail to stefanousai@unica.it
- File name: surname_name.pdf
- Mail subject: country report
- Mail text: specification of the case (see above)
- deadline: beginning of January?





What	Econom	ics Is	All A	bout
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- Scarcity:
- · Economics:
- how people decide
 - what to buy,
- how much to work, save, and spend
- how firms decide
 - how much to produce,
 - how many workers to hire
- how society decides
 - how to divide its resources between national defense, consumer goods, protecting the environment, and other needs

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Ten principles of Economics

- Questions that Economics address
 - What are the principles of how people make decisions?
 - What are the principles of how people interact?
 - What are the principles of how the economy as a whole works?
- Although the study of Economics has many facets, the field is unified by several central ideas. The Ten Principles of Economics offer an overview of what economics is all about.
 - Gregory Mankiw, Professor of Economics at Harvard

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How people make decisions

 People Face Tradeoffs.
 To get one thing, you have to give up something else.
 Making decisions requires trading off one goal against another.

- The Cost of Something is What You Give Up to Get It. Decision-makers have to consider both the obvious and implicit costs of their actions.
- Rational People Think at the Margin. A rational decision-maker takes action if and only if the marginal benefit of the action exceeds the marginal cost.
- People Respond to Incentives. Behavior changes when costs or benefits change.

PRINC	IPLE #	<i>‡</i> 1:
People	Face	Tradeoffs

- All decisions involve tradeoffs.
- Examples:
 - Going to a party the night before your midterm exams leaves less time for studying.
 - Having more money to buy stuff requires working longer hours, which leaves less time for leisure.
 - Protecting the environment requires resources that could otherwise be used to produce consumer goods.

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PRINCIPLE #2 The Cost of Something Is What You Give Up to Get It

- Making decisions requires comparing the costs and benefits of alternative choices.
- The opportunity cost of any item is
 - the relevant cost for decision making.
- Examples:
- The opportunity cost of...
 - ...attending a master for two year
 - ...seeing a movie

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PRINCIPLE #3 Rational People Think at the Margin

- Rational people make decisions by evaluating costs and benefits of marginal changes,
- Examples:
 - When a student considers whether to go to college for an additional year, he compares
 - When a manager considers whether to increase output, she compares

PRINCIPLE #3 Rational People respond to incentives
• Rational people respond to incentives.
 Examples: When gas prices rise, consumers buy more hybrid cars and fewer gas guzzling SUVs. When cigarette taxes increase, teen smoking falls.

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Applying the principles

- You are selling your 2004 Panda. You have already spent 500 euro on repairs.
- At the last minute, the transmission dies. You can pay euro 300 to have it repaired, or sell the car "as is."
- In each of the following scenarios, should you have the transmission repaired?
- A. book value (what you could get for the car) is

3000 euro if transmission works, \$2800 if it doesn't

3000 euro if transmission works, \$2500 if it doesn't

Let us discuss it

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How economy works as a whole

- **Trade Can Make Everyone Better Off.**Trade allows each person to specialize in the activities he or she does best. By trading with others, people can buy a greater variety
- Markets Are Usually a Good Way to Organize Economic Activity. Households and firms that interact in market economies act as if they are guided by an "invisible hand" that leads the market to allocate resources efficiently. The opposite of this is economic activity that is organized by a central planner within the government.
- Governments Can Sometimes Improve Market Outcomes. When a market fails to allocate resources efficiently, the government can change the outcome through public policy. Examples are regulations against monopolies and pollution.

PRINCIPLE #5:			
Trade Can Make	Everyone	Better	Off

- Rather than being self-sufficient, people can specialize in producing one good or service and exchange it for other goods.
- Countries also benefit from trade and specialization:

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PRINCIPLE #6:

Markets Are Usually A Good Way to Organize Economic Activity

- A market economy allocates resources through the decentralized decisions of many households and firms as they interact in markets.
- Famous insight by Adam Smith in The Wealth of Nations (1776) about the invisible hand: the interaction of buyers and sellers determines prices. Prices guide self-interested households and firms to make decisions that, in many (a few?) cases, maximize society's economic wellbeing

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PRINCIPLE #7:

Governments Can Sometimes Improve Market Outcomes

- People are less inclined to work, produce, invest, or purchase if large risk of their property being stolen. Role for institutions and government
- Causes of market failure:
 - Externalities
 - Market power
 - Public goods
- Public policy may intervene to correct them
- Govt may alter market outcome if the market's distribution of economic well-being is not desirable, trade off btwn efficiency and equity

How people interact

A Country's Standard of Living Depends on Its Ability to Produce Goods and Services.

Countries whose workers produce a large quantity of goods and services per unit of time enjoy a high standard of living. Similarly, as a nation's productivity grows, so does its average income.

- Prices Rise When the Government Prints Too Much Money. When a government creates large quantities of the nation's money, the value of the money falls. As a result, prices increase, requiring more of the same money to buy goods and services.

Society Faces a Short-Run Tradeoff Between Inflation and Unemployment.
 Reducing inflation often causes a temporary rise in unemployment. This tradeoff is crucial for understanding the short-run effects of changes in taxes, government spending and monetary policy.

Ignorance

The Ignorance Project



