

## Topics in Economics

Stefano Usai  
University of Cagliari, CRENoS

International Management  
Master's Degree Programme – UNICA



### Who am I?

- Professor of Economics
- Dean of the SEGP Faculty
- 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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[posticipo ricevimento 14 settembre](#)  
14 settembre 2017

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**INFORMAZIONI GENERALI**



**Stefano Usai** è professore ordinario in Economia Applicata presso il dipartimento di Scienze Economiche ed Aziendali. E' stato fino al 2014 direttore del CRENoS (Centro Ricerche Economiche Nord-Sud) e dal 2015 è Presidente della Facoltà di Scienze Economiche, Giuridiche e Politiche. I suoi interessi di ricerca si focalizzano principalmente su tematiche legate all'economia regionale e dell'innovazione.

Benvenuti nel sito di **Stefano Usai**

<b>Ruolo:</b>	Professore Ordinario
<b>Area scientifica disciplinare:</b>	Scienze economiche e statistiche
<b>Settore scientifico disciplinare:</b>	SECS-P/06 ECONOMIA APPLICATA
<b>Dipartimento di afferenza:</b>	Dipartimento di Scienze Economiche ed Aziendali
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<b>Orario di ricevimento:</b>	giovedì, ore 12-13

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**Recent publications**

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**INNOVATION ACTIVITIES AND LEARNING PROCESSES IN THE CRISIS. EVIDENCE FROM ITALIAN EXPORT IN MANUFACTURING AND SERVICES**  
*Industrial and Corporate Change*, 2017, volume Firstonline, pages 1-24

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B. Blagi; M.G. Ladu; V. Royuela  
**HUMAN DEVELOPMENT AND TOURISM SPECIALIZATION. EVIDENCE FROM A PANEL OF DEVELOPED AND DEVELOPING COUNTRIES**  
*International Journal of Travel Research*, 2017, volume 19, pages 160-178

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W. Addessi; M. Puline; F. Sallusti  
**IMPACT OF CHANGES IN CONSUMER PREFERENCES ON SECTORAL LABOUR REALLOCATION: EVIDENCE FROM THE ITALIAN ECONOMY**  
*Oxford Bulletin of Economics and Statistics*, 2017, volume 79, pages 348-365

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Forthcoming events will be announced shortly.

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Via S. Giorgio 12 - 09124 Cagliari - Italy  
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EMAIL: crenos@unica.it

**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**

- 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.
- 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.

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## **Second module: topics in Econometrics and European Economics**

- Some basics of Econometrics will be provided in order to analyse some contribution about the issue of regional development. In particular, we will focus on the techniques of Spatial Econometrics, that is the study of geographical phenomena.
- 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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## Training objectives

- 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

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## Calendar

- **Topics in Economics**
  - Mon-Wed 12-14
- **International Corporate Finance**
  - Mon-Wed 14-16

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## Specific objectives

- **1) Knowledge and understanding.** The course allows students to study three different specialized topics in economics, as presented in the literature. The objective is to analyze with students the capacity of economic framework to explain patterns in the data, and to understand the role of market regulations.
- **2) Capacity of applying knowledge and understanding.** The topics presented in class will be analysed using real data and appropriate statistical models for data analysis. The objective is to make students able to understand the workings, the dynamics and the decisions tools within firms and to make meaningful economic decisions and forecast their effects in their future professional career.

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## Specific objectives

- **3) Making judgements.** During classes, students will be asked to give their technical opinion on real decisions, policies and reforms. This will be done under different points of view, trying to operate as in the real world, and thinking of the real impact of such policies/practices. Necessary condition for this is to manage in deep the current situation and to have access to the relevant information needed in order to decide.
- **4) Communication skills.** Students will be encouraged to actively participate in the class discussing their opinions and showing capacity of speech, motivation and reciprocal exchange of ideas with the other students. In this respect, additional material presented in the classes will allow students to improve their communication skills, as requested in the final exam..

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## Didactic Methods and Learning assessment procedures

- The course consists of lectures and workshops in which there will be as much interaction as possible between students and teacher and among students themselves.
- The program includes presentations by students both oral and of written documents.

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## Learning assessment procedures

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

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## Learning assessment procedures

- The report refers to a short document of presentation of a country / region / sector for a potential customer, be it a public institutions or a private company
- Presentations: 15 minutes power point of one study assigned by the Professor or chosen by the student (and approved by the Professor) on European Policy issues

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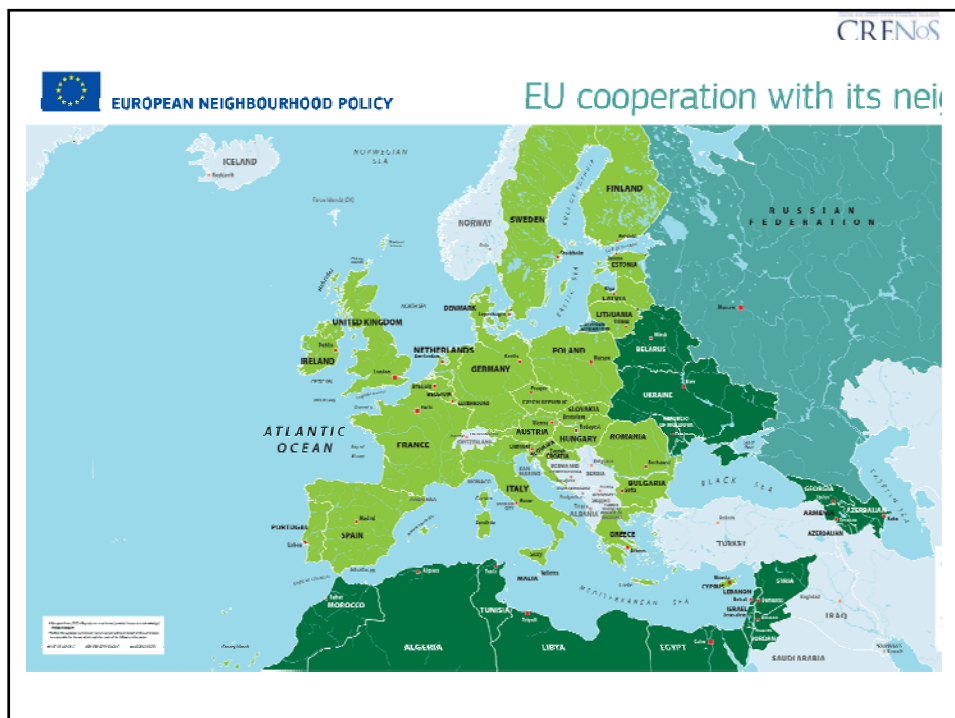
## Textbooks and other texts





## Country report

- 3/5 pages, cover included, if any
- One page devoted to a statistical overview of the socio-economic background
- Eligible countries
  - EU28
  - Enlargement candidates
    - » [Albania](#), [Bosnia and Herzegovina](#), [the former Yugoslav Republic of Macedonia](#), [Iceland](#), [Kosovo\\*](#), [Montenegro](#), [Serbia](#), [Turkey](#)
  - European Neighbouring countries
    - » [Algeria](#), [Armenia](#), [Azerbaijan](#), [Belarus](#), [Egypt](#), [Georgia](#), [Israel](#), [Jordan](#), [Lebanon](#), [Libya](#), [Moldova](#), [Morocco](#), [Palestine](#), [Syria](#), [Tunisia](#), [Ukraine](#)



## Cases

- Report on a EU contry for an extra EU multinationals
- Report on a candidate country for a government body of a EU country
- 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?

http://people.unica.it/stefanousai/

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## What Economics Is All About

CRENoS

- **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

## 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

1. **People Face Tradeoffs.**  
To get one thing, you have to give up something else. Making decisions requires trading off one goal against another.
2. **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.
3. **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.
4. **People Respond to Incentives.**  
Behavior changes when costs or benefits change.

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## PRINCIPLE #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

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### **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
- **B. book value is**  
3000 euro if transmission works, \$2500 if it doesn't

Let us discuss it

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## How economy works as a whole

5. **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 of goods or services.
6. **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.
7. **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.

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## 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 well-being

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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**

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## How people interact

8. **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.
9. **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.
10. **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.

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