

# Topics in Economics

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University of Cagliari, CRENoS

International Management  
Master's Degree Programme – UNICA

# 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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Established in 1993 by economists of the University of Cagliari and the University of Sassari, **CRENoS** performs both theoretical and applied economic research and provides useful guidance for policy intervention. Within a wide international research network, it organizes scientific conferences, seminars, master courses and summer schools.

CRENoS is a section of the inter-university consortium CIREM, Center on Economic and Mobility Research, in collaboration with CRiMM (Center for Research on Mobility Models, University of Cagliari).



## Recent Working Papers

### **Responding to (Un)Reasonable Requests**

V. Pelligra & T. Reggiani & D.J. Zizzo

### **An analysis on the Italian agricultural firms: effects of public subsidies**

M. Pulina & V. Santoni

## Users

## Resources

## Ftp

# 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

# 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.

# Training objectives/module A

- 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

# Second module: topics of labour economics

- The second part of the course will deal 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.

# Training objectives/modulo B

- The course has the objective of providing the students with intermediate and advanced knowledge of a particular set of topics in economics in order to better understand the workings of the markets, particularly related to firm and worker behaviour.
- At the end of the course, the student will be able to understand and analyze the dynamics of the firm in different economic environments.
- Moreover the student will be able to evaluate both theoretically and empirically the role of market regulations and the quantitative effect of good managerial practices on different firm outcomes.



# 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.
- **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..

CORSO DI LAUREA MAGISTRALE IN ECONOMIA MANAGERIALE - Classe LM-77

2° ANNO - PRIMO SEMESTRE

indirizzo: International Management

TEACHING	cfu/ore Mod.	LECTURER	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
INTERNATIONAL ECONOMICS	6/36 Mod. a	ROSSI Stefania Patrizia Sonia		h. 8-10 aula SI_A1-F = Aula 6	h. 8-10 aula SI_A1-F = Aula 6	h. 12-14 aula SI_B0-B = Aula Magna ex SP	h. 8-10 aula SI_A1-F = Aula 6 solo recupero del 30.09, 14.10, 28.10 e 4.11)
<b>Mod. a</b> Settembre 27-28-29-30 Ottobre 4-5-6-11-12-13-14-25-26-27-28 Novembre 2-3-4							
TOPICS IN ECONOMICS	9/54 Mod. a+b	USAI Stefano SULIS Giovanni			h. 10-12 aula SI_A1-F = Aula 6	h. 10-12 aula SI_A1-F = Aula 6	h. 10-12 aula SI_A1-F = Aula 6
<b>Mod. a</b> Settembre 28-29-30 Ottobre 5-6-7-12-13-14-19-20-21-26-27 (una delle giornate di lezione sarà da 1 ora)							
<b>Mod. b</b> Novembre 23-24-25-30 Dicembre 1-2-7-14-15-16-21 Gennaio 11-12-13 (una delle giornate di lezione sarà da 1 ora)							

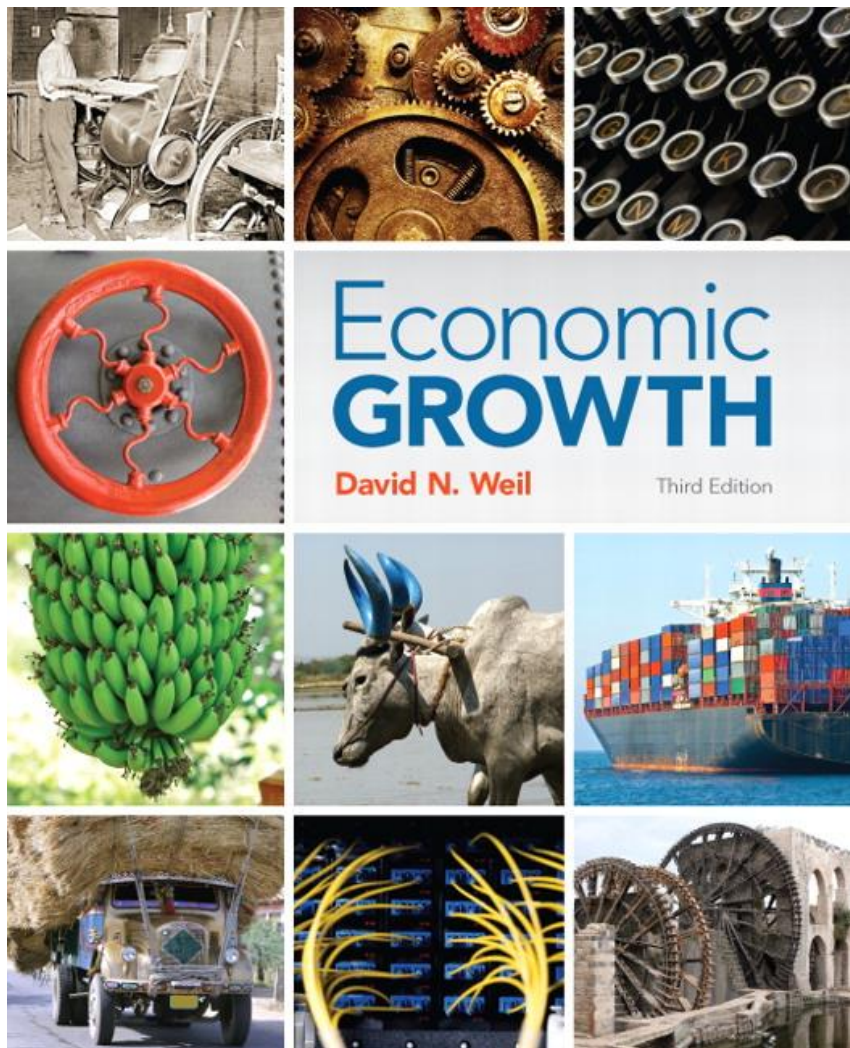
# Didactic Methods and Learning assessment procedures: module A

- 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.

# 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].

# Textbooks and other texts



## Economic GROWTH

David N. Weil

Third Edition



# 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](#)



EUROPEAN NEIGHBOURHOOD POLICY

EU cooperation with its neighbours



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 Printed in Belgium  
 \* Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of the following information.  
 MH-DS-15-453-EN-C ISBN 978-92-79-31464-3 doi:10.2846/13070

# Cases

- Report on a EU country 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?

# Stefano Usai



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[Modifica](#)

- Insegnamenti
- Materiale didattico
  - Economia Applicata
  - Economia dello sviluppo regionale
  - Economia regionale e dell'innovazione
  - Teoria dello sviluppo economico
  - Topics in Economics
    - 2015-16
    - 2016-17
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# What Economics Is All About

- **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

# 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.

# 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.

## 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

## 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.

# 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**

# 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.

# **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:

## 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

# 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

- 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.

Ignorance

# The Ignorance Project



**ignorance  
project**



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- Is child mortality falling? ▶
- Where is HIV decreasing? ▶

**BUBBLE CHART ▶**

