UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Firms and Markets in Global Economies

2627-1-F5603M005-F5603M005-2

Learning objectives

The course provides students with the theoretical and analytical tools needed to understand firms' behaviour in international markets. Drawing on modern theories of international trade and the economics of multinational firms, the course combines formal economic models with empirical evidence and policy applications to develop students' ability to analyse firms' internationalization strategies and critically assess the economic implications of globalization.

Upon successful completion of the course, students will be able to:

Knowledge and understanding
• demonstrate a sound knowledge of the main theories of international trade and the international organization of production;
• explain how comparative advantage, economies of scale, firm heterogeneity, contractual frictions, and capital market imperfections affect firms' internationalization decisions;
• understand the economic mechanisms underlying firms' choices between exporting, foreign direct investment, outsourcing and offshoring.

Applying knowledge and understanding
• apply the theoretical models presented in the course to analyse firms' behaviour in global markets;
• interpret firms' internationalization strategies under different market structures and institutional environments;
• use economic reasoning to analyse current issues in international trade and globalization.

Making judgements
• critically compare alternative theoretical explanations of firms' internationalization strategies;
• evaluate the effectiveness of trade and industrial policies under different institutional settings;
• formulate independent economic judgements based on theoretical arguments and empirical evidence.

Communication skills
• communicate economic arguments clearly and rigorously using the appropriate terminology of international

economics;
• present coherent and logically structured analyses of theoretical and policy issues concerning globalization and international trade.

Learning skills
• autonomously deepen the study of advanced topics in international economics;
• critically read academic papers and policy reports dealing with firms' internationalization and globalization.

Contents

• Comparative advantages and specialization
• Economies of scale and monopolistic competition in global markets
• Heterogeneous firms, production, and international trade
• Outsourcing and offshoring
• Trade policy under contractual incompleteness
• Capital market imperfections and the internationalization decision
• The future of globalization

Detailed program

• Comparative Advantages and Specialization

- Ricardo and Heckscher-Ohlin models
  • Economies of Scale and Monopolistic Competition in Global Markets
- Krugman model
- External economies of scale
  • Heterogeneous Firms, Production, and Trade
- Melitz model: Who are the exporters?
- Foreign direct investment (FDI) vs. exports
- Trade in the presence of contractual frictions
  • Outsourcing and Offshoring
- Organizational decisions
- Location strategies
- The multinational enterprise
  • Trade Policy under Contractual Incompleteness
  • Capital Market Imperfections and the Internationalization Choice
  • The Future of Globalization

Prerequisites

A solid understanding of intermediate microeconomics is required.

Teaching methods

Teaching consists of face-to-face lectures combining theoretical analysis with the discussion of empirical evidence and real-world policy applications. Students are encouraged to actively participate in class discussions and critically engage with the economic models presented during the course.

Assessment methods

Assessment is based on a written examination lasting 90 minutes and designed to evaluate the achievement of the intended learning outcomes.
The examination consists of two sections.
Section 1 comprises four short-answer questions requiring students to apply theoretical models to specific economic scenarios. This section primarily assesses students' ability to apply economic reasoning and formulate independent judgements (Dublin Descriptors 2 and 3). Each correct answer is worth 4 points.
Section 2 consists of two open-ended questions aimed at assessing students' knowledge and understanding of the theoretical models presented during the course and their empirical implications, as well as their ability to communicate economic arguments clearly and rigorously (Dublin Descriptors 1 and 4). Each correct answer is worth 8 points.
Students who pass the written examination may request an oral examination. The oral exam further assesses students' critical reasoning, communication skills and ability to discuss theoretical and empirical issues in international economics. The final grade is the average of the written and oral examination grades, provided that both are satisfactory. Students who fail the oral examination must retake the written examination during a subsequent examination session.
No midterm examinations are scheduled. Assessment takes place exclusively during the official examination sessions.

The assessment strategy is designed to ensure consistency between the intended learning outcomes, the teaching activities and the examination methods. Knowledge and understanding are primarily assessed through theoretical questions, while application, critical thinking and communication skills are evaluated through the analysis of economic scenarios and policy issues.

Textbooks and Reading Materials

• Antràs, P. Global Production: Firms, Contracts, and Trade Structure, Princeton University Press, 2015
• Helpman, E. Understanding Global Trade, Harvard University Press, 2011
• Lecture notes available on the Unimib e-learning platform

Semester

I semester

Teaching language

English

Sustainable Development Goals

DECENT WORK AND ECONOMIC GROWTH | INDUSTRY, INNOVATION AND INFRASTRUCTURE | REDUCED INEQUALITIES