

Economics of Global Business – JEB135/JPB334

Credits: 6

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Course website: <http://ies.fsv.cuni.cz/cs/syllab/JEB135/>

Course moodle website: <http://dl1.cuni.cz/course/view.php?id=4603>

Lectures: Fridays, 3:30-4:50 p.m. (room 206)

Seminar sessions: Fridays, 5:00-6:20 p.m. (room 206)

Consultations: Fridays, 2:00-3:00 p.m., Opletalova office #311 or via Zoom/Google Meet
Or by appointment

Brief outline:

This course is related to but does not overlap with undergraduate courses International Trade and International Finance taught at the IES. The course “Economics of Global Business” deals with international trade, international financial flows, and globalization of economic activities, but it focuses on additional topics and uses a different (more practical) perspective than the two aforementioned courses. It discusses many applied and institutional aspects of global economic activities, provides a brief insight into actual methods used in international business, and provides case studies with examples of interesting successes/failures. However, unlike many traditional courses of this type, which use rather soft and descriptive approaches, we will always try to provide also economic rationale and relevant economic models and their empirical tests.

Study objectives:

After studying this course, students should gain a basic understanding of the following issues:

1. Why do economic agents (consumers, households, companies) behave differently in different parts of the world? What are the implications for economic theory and business activities?
2. When should a company choose to open a foreign subsidiary and when should it simply export goods abroad?
3. Why do nations trade and how is trade related to wages and welfare?
4. What is competitiveness? Can we and should we measure it?
5. How are actual transactions in international business implemented? What are INCOTERMS, SWIFT, Letter of Credit?
6. Why do we have off-shore finance? And how does its presence influence national economies?
7. How do differences in taxation and the existence of tax havens influence our economies?

Form of the course:

There will be one lecture (80 minutes) and one seminar (80 minutes) every week.

The course will be taught on-site (room 206) only during the academic year 2024/25. No streaming or recording is planned.

Information about access to the Moodle (enrollment password) will be sent to all registered students by email at the beginning of the semester.

Pre-requisites:

The course will be taught in English. Please do not register if you are not able to study and work in English language.

Knowledge of introductory Microeconomics, Macroeconomics and Statistics will be useful.

Schedule of lectures/topics:**I. Introductory topics**

1. Introduction – globalization, development of global economy and of the role of international transactions in national economies. Economic networks and global value chains – introduction. (October 4th)
2. Global value chains continued – data and analytical instruments. Changes in GVC positioning - upgrading. (October 11th)
3. Economic agents: consumer preferences – the role of differences in culture, attitudes and values around the globe. (October 18th)
4. Holiday (October 25th)
5. Modes of internationalization of economic activities: when should we trade and when institute a foreign subsidiary? Which strategy for which market? (November 1st)
6. The role of governance and its international dimension. Principal-agent problem and agency problems. (November 8th)
7. Corporate governance: relationship between the shareholders, board, management. **Brief midterm.** (November 15th)

II. Foreign trade activities

8. Exporting and importing activities: prices, risks, insurance. INCOTERMS. Amazon and E-bay: effects on organization of international trade? (November 22nd)
9. Trade policies: practical aspects. Non-tariff barriers to trade. Embargoes and sanctions. (November 29nd)
10. How to pay for imports and get paid for exports? Means and methods of payments. SWIFT. (December 6th).

III. International investment and finance

11. Currencies in international business. Exchange rate risk and exchange rate exposure. Introduction to hedging. Cryptocurrencies and blockchains in international trade? (December 13th)
12. Taxes and international business. Tax havens. (December 20th)
13. Corruption in international business. Current trends and issues in international business. Make up session for time lost in October and November (January 10th)

Structure of final grade:

Evaluation will be based on a midterm and final exam (in traditional "on-site" written form), two team assignments, in-class activity (quizzes) and online Moodle quizzes. The final exam will include a short (on-site) essay.

The weights of the components in the total grade are as follows:

Online Moodle quizzes (8):	5%
Quizzes and other in-class activity during the term:	10%
Short midterm exam:	15%
Final exam (includes a brief "on-site" essays):	50%
Two team assignments:	20%

Please note that participation in written exams is compulsory for everyone.

Grading scale:

Grade	Range
A	91 – 100
B	81 – 90
C	71 – 80
D	61 – 70
E	51 – 60
F	0 – 50

Literature:

Books and chapters from books:

Charles W.L. Hill: International Business. McGraw-Hill/Irwin; 9th edition. 2013

or Charles W.L. Hill: Global Business Today. 10th edition, 2017

E. Helpman, Understanding Global Trade. Belknap Press, 2011.

Daniels, Radebaugh & Sullivan: International Business – Environment and Operations, Pearson Education, 15th edition. 2015

Paul Krugman, Maurice Obstfeld: International Economics: Theory and Policy. 10th edition. Pearson Series in Economics. 2014

M. D. Levi – International Finance, chapter 13

Papers and other materials:

De Backer, K. and S. Miroudot (2013), “Mapping Global Value Chains”, OECD Trade Policy Papers, No. 159, OECD Publishing, Paris.

R. Baldwin: Global supply chains: why they emerged, why they matter, and where they are going. In Elms & Low (eds.): Global value chains in a changing world. 2013

J. Becker & N. Riedel (2012): Cross-border tax effects on affiliate investment – evidence from European multinationals. European Economic Review 56 (2012) 436-450

M. Blomström & A. Kokko (2003): The Economics of International Investment Incentives , NBER

I. Bremmer (2009): State Capitalism Comes of Age: The End of the Free Market? Foreign Affairs, Vol. 88, No. 3 (May/June 2009), pp. 40-55

D. Dharmapala & J.R. Hines (2009): Which Countries Become Tax Havens? Journal of Public Economics 93 (2009), 1058-1068

E. Hilt (2008): When did Ownership Separate from Control? Corporate Governance in the Early Nineteenth Century (*interesting as historical introduction, includes U.S. evidence*)

G. Hofstede: Cultural Constraints in Management Theories. The Executive, Vol. 7, No. 1 (Feb., 1993), pp. 81-94

Economist – a special issue on State Capitalism

J.R. Hines (2007): Tax Havens – texts for the The New Palgrave Dictionary of Economics

J.R. Hines (2010): Treasure Islands. Journal of Economic Perspectives—Volume 24, Number 4—Fall 2010—Pages 103–126

J.S. Henry (2016): Taxing Tax Havens - How to Respond to the Panama Papers. Foreign Affairs 2016

J. Kornai, E. Maskin, G. Roland (2003): Understanding the Soft Budget Constraint. Journal of Economic Literature, Vol. 41, No. 4 (Dec., 2003), pp. 1095-1136

P. Krugman (1994): Competitiveness - A Dangerous Obsession. Foreign Affairs

D. C. Mueller (2006): Corporate Governance and Economic Performance. *International Review of Applied Economics*, Vol. 20, No. 5, 623–643, December 2006

A. Musacchio & S.G. Lazzarini: Leviathan in Business: Varieties of State Capitalism and their Implications for Economic Performance. HBS Working Paper, No. 12-108, June 2012

Pavlínek, P. & Žížalová, P.: Linkages and spillovers in global production networks: firm-level analysis of the Czech automotive industry. *Journal of Economic Geography* 16 (2016) pp. 331–363

M. E. Porter: The Competitive Advantage of Nations. Harvard Business Review, 1990

Timmer, M. P., Dietzenbacher, E., Los, B., Stehrer, R. and de Vries, G. J. (2015), "An Illustrated User Guide to the World Input–Output Database: the Case of Global Automotive Production", *Review of International Economics*, 23: 575–605

IMD: World Competitiveness Yearbook 2014 – Introductory part

OECD (2017): Corporate governance factbook

OECD (2013): Interconnected Economies, Synthesis Report