# Global challenges and firm strategies

## Prof. Gabriele Deana, Prof. Demetri Kantarelis

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims at clarifying how differences between regions and nations can be related to differences across firms and the strategies they apply, where strategies comprise plans for building up and maintaining capabilities to carry out innovation activities.

As many companies in the advanced economies are facing maturity or limited growth in their mainstream businesses, leveraging competencies into new growth areas is becoming increasingly urgent. This course is about understanding how individual firms strategies map into macroeconomic outcomes and how institutions, policies, and market trends shape firms’ incentives and decisions.

These issues also extend the context to include the related role of trade flows, new patterns of location, foreign direct investment (FDI) and global value chains (GVC). The course discusses how GVC firms, however few, are heavily engaged in R&D activities, have a sophisticated human capital base, are able to support high unit labour costs, introduce more product innovations and display the highest productivity premia. These firms matter critically for the innovation performance of countries and sectors and substantially drive their value added creation and employment.

The course further discusses how innovative and international firms make use of internal and external knowledge sources that are unevenly distributed across space. It provides tools to understand the diffusion patterns and welfare impact of ideas and technology, the role of knowledge flows, the role of social inefficiencies arising from knowledge externalities, and the gap between private and social welfare. A part of the course is also devoted to discuss how financial frictions and institutions shape the incentives for innovators through incomplete contracts and control rights, thus affecting economic growth and aggregate fluctuations.

The course will be hold by Prof. Deana Gabriele (40 hours) and Prof. Demetri Kanteralis (20 hours).

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

1. understand the relationship between individual firms strategies and macro-economic institutions and outcomes.
2. identify the link between FDI, growth and development and its effect on local productive capacity, especially through linkages between multinational enterprises and small and medium-sized enterprises.
3. identify the main development challenges of global value chains and highlight effective investment strategies.
4. understand how knowledge flows affect patterns of development and how the ability of firms to benefit from such flows affects their innovative capacity.
5. understand the role of financial frictions in shaping incentives and investment.
6. ability to apply knowledge and understanding acquired during the course to identify the innovation opportunities.

***COURSE CONTENT***

I Module (*Prof. Gabriele Deana*)

* (10 hours of lecturing) The economic framework and relations;
* (10 hours of lecturing) Understand the relationship between individual firms strategies and macro-economic institutions and outcomes;
* (10 hours of lecturing) Identify the main development challenges of global value chains and highlight effective investment strategies;
* (10 hours of lecturing) Analyze and discuss case studies and work groups.

II Module: (*Prof. Demetri Kantarelis*)

* (6 hours of lecturing) Theories of the Firm (Neoclassical, Transaction Costs, Principal-Agent, Evolutionary, The Firm as a Nexus of Contracts);
* (6 hours of lecturing) Business Clusters, Automation, 5G, Blockchain;
* (4 hours of lecturing) Net FDI and welfare implications;
* (4 hours of lecturing) Competitiveness (impact of Microeconomics and Macroeconomics), European Union.

***READING LIST***

Theories of the Firm, 5th ed, (by D. Kantarelis), Inderscience, 2017, ISBN (Print): 0-907776-62-0; ISBN (Online): 0-907776-61-2.

http://www.inderscience.com/browse/book.php?journalID=1025>

C. Thimann (2015), The Microeconomic Dimensions of the Eurozone Crisis and Why European Politics Cannot Solve Them, Journal of Economic Perspectives, Vol 29, #3, Summer 2015, p 142.

D. Kantarelis (2016), A Measure of Net Dependency between the Economies of the USA and its Major Trading Partners, Geopolitics, History, and International Relations, Volume 8(1), 2016, pp. 113-145.

D. Kantarelis (2014), The Firm as a Function of Deals, International Journal of Law and Management, Volume 56, Issue 4, pp.311-332.

D. Kantarelis (2012), Mechanism Design and Incentives’ Engineering, Proceedings, Central European Conference on Information and Intelligent Systems, CECiiS.

Other articles, slides and case studies will be published on Blackboard

*Library Resources*

The Università Cattolica del Sacro Cuore’s Library provides a range of learning resources including texts, journals, periodicals, magazines, and access to online databases and information services. It also offers a virtual library accessible via the University’s website.

*Online Learning*

Icatt is the Università Cattolica del Sacro Cuore's online learning environment. It is used to support traditional face-to-face lectures, tutorials and workshops at the University. Icatt provides access to various features including announcements, course materials, discussion boards and assessments for each online course of study.

***TEACHING METHOD***

The course uses frontal lectures and student presentations to discuss readings, exercises, cases.

Due to the Covid-19 pademic, face to face lessons will be performed only in the first two weeks (from 14th of September to 25th of September, according to the schedule published). The others will be on distance: they will be lessons, discussions and group work presentation (in th lasts weeks). The deteiled plan will be published on blackboard.

***ASSESSMENT METHOD AND CRITERIA***

Students will be evaluated on the basis on a written exam with open questions divided into the two course modules and optional group work related to the first module (up to 30% of the final grade).

The answers to the questions, aimed at testing the understanding of fundamental theoretical issues, will be evaluated by looking at the degree of the candidate’s knowledge, as well as at her/his ability to convey key messages in conceptually consistent ways through a clear and precise exposition.

The goal of the work group is the applications of learned theoretical issues to a case study, and it will be evaluated by looking at the degree of the analysis and class presentation.

***NOTES AND PREREQUISITES***

In order to successfully follow this course, students should be familiar with basic Microeconomic, Macroeconomic and International Economics concepts.

Suggested lecture:

Krugman-Obsfeld-Melitz (2015), International Trade.