



INSTITUTE
OF ECONOMIC STUDIES
Faculty of Social Sciences
Charles University

Economics of Global Business

Spring Term

Professor: [Mgr. Ing. Vilém Semerák PhD.](#)

Office Hours: by personal arrangement

Contact: vsemerak@yahoo.com

Credits: 3 U.S. credits (6 ECTS)

Course Description:

Course "Economics of Global Business" deals with international trade, international financial flows, globalization of economic activities, but it focuses on additional topics and uses a different (more practical) perspective than the two afore-mentioned courses. It discusses many applied and institutional aspects of global economic activities and it provides a brief insight into actual methods used in international business. 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 empirical tests.

Course Objectives:

After studying this course, students should gain 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. How are international activities of companies actually organized?
4. Why do nations trade and how is trade related to wages and welfare?
5. What is competitiveness? Can we and should we measure it?
6. How are actual transactions in international business implemented? What are INCOTERMS, SWIFT, Letter of Credit?
7. Why do we have off-shore finance? And how does its presence influence national economies?

Structure:

The structure of this course will be divided between lectures and seminars. **There will be one lecture (80 minutes) and one seminar (80 minutes) every week.**

Instructions:

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

Students are expected to have done the readings prior to class. There will be periodic handouts in class of articles dealing with issues relevant to the course. It is also recommended that you keep up with current developments in the international business environment. You should bring up current events for discussion in class.

Please contact the IEF staff to learn more about the instructions for this course, including meeting times and how to register.

Requirements:

Class attendance is required to succeed in this course and is thus graded. Students are expected to participate in in-class discussions.

Academic Honesty:

Although the students are encouraged to exchange ideas in and outside class, everybody is required to submit their own work. That means that copying the work of other students or published materials is strictly prohibited.

Grading System:

Evaluation will be based on two written exams (midterm and final test), two assignments, and a final paper.

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

Midterm exam: 30%

Final exam: 40%

Two assignments: 10%

Final paper and its presentation: 20% (15% + 5%)

Additional details:

- Regardless of the overall weighted average you need to get at least 45% from every exam!
- Written exams are compulsory for everyone.

Grading scale:

Grade Range

A 89 – 100
B 77 – 88
C 65 – 76
F 64 and less

Course Content:

Schedule of lectures/topics:

I. Introductory topics

1. Introduction – globalization, development of global economy and of the role of international transactions in national economies.
2. Economic agents: consumer preferences – role of differences in culture, attitudes and values around the globe. Comparative studies and their implications. Results from experimental economics.
3. Economic systems and social models around the globe. Differences and implications for economic activity. Companies and their objective functions under different economic systems. Case study: companies in China.
4. Modes of internationalization of economic activities: when should we trade and when institute a foreign subsidiary? Empirical results.
5. National competitiveness: concepts, measurement. Is national competitiveness just a gimmick or a dangerous obsession? Porter's concept of competitive advantage nations

II. Foreign trade activities

6. What and how nations trade: review of the concept of comparative advantage. Effects of trade on welfare.
7. **Midterm exam.** Exporting and importing activities: prices, risks, insurance. INCOTERMS. Amazon and E-bay: effects on organization of international trade?
9. Customs, tariffs: introduction to economic analysis. Practical aspects of trade policies. Economic diplomacy.
10. How to pay for imports and get paid for exports? Means and methods of payments. SWIFT. TARGET2

III. International investment and financial flows

11. Currencies in international trade. Reserve currencies, vehicle currencies. How many global currencies do we really need?
12. Exchange rate risk and exchange rate exposure. Hedging. Forwards, futures, options
13. International banking, offshore banks, Eurobanks. Effects on efficiency of national regulatory effort.

Reading Materials:

Books:

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

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

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

Papers and other materials:

R. Feloni (2015): Inside Zappos CEO Tony Hsieh's radical management experiment that prompted 14% of employees to quit. Business Insider - <http://www.businessinsider.com/tony-hsieh-zappos-holacracy-management-experiment-2015-5>

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

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

Chapter "Corporate Governance Framework" (p. 13-27) from the OECD Corporate Governance Factbook (2014)

IMD: World Competitiveness Yearbook 2014 - Introductory part