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# Business, Government, and the Global Economy

## Course Syllabus

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### ***Course Overview:***

*In an era of globalization and economic crises, the modern era of international business can be argued to be one characterized by “total competition.”* Individuals compete, companies compete, and national economic systems compete for competitive advantage. This means that an understanding of the global economy is critical for managers who wish to succeed in it. This course explores the current pressures and dynamics that animate the global economy, and develops frameworks, tools, and concepts that will help students meet the challenges they will inevitably face.

The global economic system has undergone tremendous stress over the past several years. Some of the outcomes from that stress have been predictable, others less so. However certain key consistent themes have emerged in how the global economy operates. One key theme underlying the course is the ongoing tension between global economic demands and national (even local) political realities that structure the operating environment in which managers must operate. A second key theme is that economic activity is often conditioned by political ideology and imperatives that differ according to circumstance. Thirdly, business and political leaders are how less inclined to accept “conventional” economic wisdom: new approaches and mechanisms for managing economic activity are being considered and implemented. At its most extreme, some political leaders seem willing and able to effectively shun what had been conventional economic wisdom in favor of more populist leanings. Effective global managers must understand those themes and be able to adapt to them.

### **Course Content and Objectives:**

The course is divided into subject areas and issues. The major issue areas we will cover include: government business relations, competitiveness, the global oil and energy systems, the global financial system, and the global trading system. We will conclude the course by raising key questions and issues about the future of the global economy. The goals of the course are as follows:

- To ensure students know the fundamental principles upon which each of the individual systems are supposed to operate
- To ensure students understand where those ideas came from and how those ideas might need to adapt in the future
- To examine how these principles and ideas impact the contemporary workings of the global economy.

- To examine how these companies create “non-market” strategies in order to compete within, and ultimately shape, the rules of the global economic game

***Course Requirements***

Team Debate Presentation	30%
Team Debate Critique	10%
Individual Class Participation	15%
Individual Case Assignment (2 * 7.5%)	15%
Individual Final Paper	30%

***Description of Assignments:***

**Class Participation, Preparation, Conduct, & Contribution (15%)**

I am looking for substantive input in class. Much of this will come in the case discussion period. At times this class will seem more like a seminar than lecture, and in this regard the success of the class will largely depend on your active participation. I will also seek out your participation throughout the semester. In class, you should be able to summarize readings, describe core points, and offer your analysis of the strengths and weaknesses of the reading’s central argument(s). Participation will be necessary in class case discussions, in particular, but will also fully expected in the lectures, and during case presentations. Participation can also include online conduct and other general contributions to the class.

Students will also be expected to conduct themselves in a professional manner while in class. Class begins and ends on time. If you need to be late you will let me know: if you need to be absent you will let me know. Once started, students do not leave class until it is over, as it is very distracting and disrespectful. Electronic devices, particularly phones, are shut off or muted during class time. Laptops are used for professional purposes only. Adhering to and respecting these standards are expected. If they are violated your participation mark will suffer accordingly.

I expect that you will be present and prepared for every class (i.e., you have read carefully all assigned cases and articles) and that you are ready to share your views and to respond to the points of others in our classroom discussions. In fact, you have an obligation not only to study the material but also to assist in the learning of your classmates whether in large class discussions or in small group work. Your goal in every session is to put forward your best efforts to become involved in all class activities through engaged listening as well as by providing insights and building on prior comments that help sort out the key concepts under consideration.

**Case Assignment (2\*10%)**

Each student will be required to do two (2) case write-ups. It will be a 3 page written analysis (single spaced), along with one page of exhibits allowed. One case analysis must

be completed before the mid-term break (October 24/25). The purpose of this case analysis is for you to prepare answers to the case questions. No outside research is required, other than the readings for the week and the case itself. The case written reports will be due at the beginning of class the day the individual case is discussed. The case report should be delivered electronically via the electronic dropbox on the course website.

### **Team Debates:**

The primary team assignment for will come in the form of group presentation of a topical issue. Teams will be assigned to take a position on a contemporary issue in the global economy and will be assigned against another team whose job is to present the alternate or contending side. Description of the issue topics is given at the end of this course outline.

Each team is responsible for presenting a side of an issue and handling a Q&A period, fielded largely by the critiquing group and by me. Presentations shall be ***no more than 20 minutes*** in length, and must address the substantive issues that arise in the debate topic. You will be responsible for making a clear and concise argument about the debate topic, which should be stated no later than your second slide, after your title. The presentation will be followed by a ***10 minute Q&A period*** in which teams will field questions by their classmates and by me. Slides must be emailed to me no later than the day of the presentation. Teams will also prepare a three-page single spaced summary of their argument and analysis, and email this summary to me no later than one day prior to the presentation. Each team must also meet with me to discuss their presentation in advance. You are responsible for scheduling this meeting, which must take place at least one week prior to the presentation date.

### **Team Presentation Critique (10%)**

Teams will also prepare two- page (single-spaced) of questions (no more than 3 questions) for ***one*** side of an individual debate topic. Each question should be motivated by a theoretical or empirical question that has arisen in the lecture or accompanying readings. In other words, you should be writing a short paragraph that sets up your questions in light of the readings and the previous lecture. The questions should build on concepts, theories, and frameworks that have been discussed in the readings, as well as what students hear in the presentation itself. Teams will email their questions to me no later than one day prior to the presentation. There is no presentation associated with this assignment.

The materials (papers and presentations) that individual groups produce *will become part of the required course material* and as such are subject to use in the final paper.

### **Individual Final Paper Assignment:**

Students in will be expected to produce a 10-12 page paper that will represent 30% of their final paper. This paper will be due early in the exam period. More details will follow shortly.

## **Readings**

There is no textbook for this course. Instead, articles and book chapters/documents have been assigned and have been provided to you in your reading package. From time to time I may suggest or post additional readings: these are for your interest only and are not required. You will typically be expected to read one article and prepare one case for each three-hour period. I may at times list supplementary readings that are for your interest and (hopefully) benefit, but you are under no obligation to read them for class. I would also strongly urge you to read the “International Economy” page of the *Financial Times*, which is available free of charge in the atrium. I will also place numerous weblinks, additional print and media sources, and other sources of reference material both on the course website and in this outline. They are there for your interest and further education.

# **Schedule of Class Topics and Reading Material**

## **September 5: Class overview, description of assignments, orientation, introduction to the class.**

The purpose of the introductory session is to provide you enough information to answer the following questions:

- Is this a course that I wish to invest time in?
- Am I excited about learning the course material?
- Do I have a clear idea of what the assignments entail?
- Am I clear on what will be expected of me and what I must do to achieve a strong grade? Am I willing to do those things?

## **September 10: Business-Government Relations in Democracies**

The purpose of this session's material is to introduce students to the idea of non-market strategy and to provide an outline of how to think about government-business relations. The tobacco industry is interesting in and of itself. But it is also an interesting test case in which to understand how rule and law making works in democracies, one which has influenced many contemporary examples. This in turn influences how such countries view similar functions in global economic institutions.

**Readings:** Gerald D. Keim and Amy J. Hillman, "Political Environments and Business Strategy: Implications for Managers", Kelley School of Business, Indiana University, pp. 1-7.

## **September 12: Case Discussion**

Tobacco Negotiations (HBS 9-899-049).

Case Questions:

1. Describe the elements of the tobacco industry's strategy in the period 1960-1990. Why were they successful at avoiding litigation or government regulation?
2. What happened during the period of the case that made that non-market strategy untenable?
3. Who, in your view, "won" the negotiation? Why?

Update: What did the settlement mean for a) the tobacco industry and b) other industries that are grappling with the same issues today?

## **September 17: National Competitiveness and Domestic Economic Institutions**

In the era of globalization – characterized by increasingly integrated financial, production, trade, and “people” markets – countries have to “compete”. This means that they often have to rely on the development and “marketing” of domestic economic capacities in order to draw investment capital and build a global reputation for competitiveness. This class examines how one such country – Singapore – has adopted the “competitiveness” agenda. Singapore has done this very successfully, often by doing things that are contrary what developing countries are “supposed” to do. We will examine the Singapore model, discuss its strengths and weaknesses and its applicability to other countries.

Readings: Robert D. Atkinson and Stephen J. Ezell, *Innovation Economics: The Race for Global Advantage*, (New Haven: Yale University Press, 2012), Chapters 2 (pp. 18-56) & Chapter 10 (pp.301-337).

## **September 19: Case Discussion**

Case: “Singapore’s Mid-Life Crises” (# 9-714-039)

Case Questions:

1. Describe the key elements of the Singapore “competitiveness” model.
2. Do you see any current threats that might de-rail that model?
3. How (if at all), must the Singapore model be adapted to meet the demands of the global economy and its own population?

## **September 24 : Investing in Emerging And/Or Difficult Markets: Geopolitical Risk**

Companies are often compelled via industry dynamics to invest in unpredictable and uncertain international environments. In order to understand how companies evaluate the risks from these environments, we will examine a case study that involves a very large investment in a politically unpredictable country. We will examine the case with an eye to gauging the potential payoff of the investment balanced against the perceived risks that the investment entails. Our lecture will be designed to give us the tools that we need to make such an evaluation.

Reading: Condolezza Rice and Amy Zegart, “Managing 21<sup>st</sup>-Century Political Risk”, *Harvard Business Review*, (Reprint R1803L)

## **September 26: Case Discussion**

Case: Journey to Sakhalin: Royal Dutch/Shell in Russia (A) (HBS 9-704-040)

Case Questions:

1. What factors make the investment attractive for Royal Dutch Shell? Pay attention to industry structure and the position of Russia as a major supplier of oil and gas.
2. What factors about the investment would give you concern? How (if at all) would you mitigate those risks?
3. Should Shell's managers proceed with Sakhalin II and invest another \$10 billion in Russia?

Update: What does the case indicate to us about how Russia was likely to evolve from the time of the case until the present?

### **October 1: Debate #1**

## **The Global Oil and Energy System**

The purpose of the next two sections is to introduce students to how the global oil market works and to examine contemporary issues in the global economy related to the production and consumption of oil.

### **October 3: Lecture: The Promise and Perils of Resource-Based-Economies**

Reading: Andrew C. Inkpen, The Global Oil and Gas Industry, Thunderbird School of Management, TB0443.

Supplementary Reading: Amy Myers Jaffe, "U.S. Energy Abundance: Exports and the Changing Global Energy Landscape", Testimony to the Committee on Energy and Commerce, U.S. House of Representatives, May 7 2013. On course website.

### **October 8: Case Discussion**

Case: "The U.S. Shale Revolution: Global Rebalancing?" (HBS Case# 717056)

Case Questions:

1. Has the shale development boom in the United States been a good or a bad thing?
2. How do you think OPEC and other major oil suppliers will react, given the strength of U.S. production?
3. What implications will the shale development have on the future of the oil industry in Canada? What should we do about it?

### **October 10: Understanding and Navigating the Resource Curse**

Readings: David Detomasi, Navigating the Politics and Geopolitics of Oil, chapter 1. (On Course Website.

For additional readings and material related to the current state and future prospects of the global oil market, see the link to Goldman Sachs' analysis:

<https://www.goldmansachs.com/our-thinking/pages/the-new-oil-order/index.html>

### **October 15: Case Discussion**

Saudi Arabia: Finding Stability After the Arab Spring (9-714-053)

Case Questions:

4. Has oil been a blessing or a curse for Saudi Arabia?
5. What was Abdullah's strategy for economic development? Will his successors continue it?
6. How well did Abdullah manage the Arab Spring? Will his successors differ significantly?

Update: Since the time of the case, Saudi Arabia has undergone a significant change of leadership. It has also unveiled a plan entitled "Vision 2035", designed to guide its long-term economic development. We will discuss the implications of these events in class.

### **October 17: Debate #2**

## **The Global Financial System**

### **October 22 : The Global Financial System**

This section switches our attention away from the global energy system to one that is closely associated with it – the global financial system. Clearly the global financial system has undergone great stress over the past five years, leading some to question whether its established structures can endure. The next two sessions are designed to look at that system in more detail – the institutions that govern it, the stresses it has undergone, and the evolving domestic and international policy responses to it.

### **Video: "PBS Frontline: The Crash"**

Questions for the Video:

1. What (if any) common links do you see between the crash of 1997 and that of 2007-2008?

2. Why do we seem compelled to repeat the same mistakes when it comes to the global financial system?

**October 24: No Class: Fall Break.**

**October 29: The Global Financial System: The Latest Chapter in a Long Saga**

Readings: Eric Helleiner, “Reluctant Moneylenders? The New Politics of International Currencies”, *The BRICs and Asia, Currency Internationalization and International Monetary Reform*, Paper No. 6 – July 2013.

Supplementary Reading: Paola Subacchi, “Who Is In Control of the International Monetary System?” *International Affairs*, \*6(3), 2010, 665-680.

**October 31: Case Discussion**

Case: “Can the Eurozone Survive?” (HBS Case #713-034).

Case Questions:

1. What were the original purposes for forming the Eurozone region?
2. In what ways were those purposes subverted, ignored, or forgotten in the lead up to the European financial crises?
3. Can the Eurozone survive? In what form will it take over the next 5 years?

**November 5: Debate #3**

## **The Global Trading System**

**November 7: The Global Trading System: Fundamentals and the Politics of Protectionism**

The world trading system has been a significant contributor to overall global economic growth over the last 50 years. However, that growth has been in many cases uneven and has led to significant stress and tumult within the countries that have liberalized their trading system. The purpose of this class is to understand the fundamental ideas behind international trade and to discuss the reasons why countries may choose to “protect” certain industries even when it may appear economically inefficient to do so. Subsequent classes will examine such issues as: trade dispute settlement mechanisms, the role of trade in fostering (or not) economic development, and the role of trade in promoting standards.

Reading: Marc L. Busch and Edward D. Mansfield, “The Political Economy of Trade Policy”, (On Course Website).

### **November 12: Case Discussion:**

Case: The Delta Blues: U.S.-Vietnam Catfish Trade Dispute (9-706-003)

1. Why in your view was the U.S. catfish industry so aggressive in pursuing trade sanctions against Vietnam?
2. Why was the U.S. government willing to pursue those sanctions?
3. What are the competitive options for both the U.S. and Vietnamese catfish farmers?

### **November 14: Debate #4**

### **November 19: Contemporary Developments in the International Trading System**

Readings: Dante Roscini and Annelena Loeb, “Evolving Trends in Global Trade”, Harvard Business School Reading 9-716-024.

### **November 21 Case Discussion:**

The TTIP: Bridging the Transatlantic Economy (9-716-026)

Case Questions:

1. What have the parties to the TTIP decided to try to pursue and conclude it now?
2. What is the basis of the arguments of those opposing the TTIP?
3. Should the agreement be re-invigorated and reinforced? Why or why not?

Update: Upon winning the Presidential election, Donald Trump chose to withdraw the United States from several trade agreements, including the TTP, which was meant to govern trade in the Far East. We will discuss these developments in class.

### **November 26: Debate #5**

### **November 28: Summary of Course Content: The Present State and Future Prospects of the Global Economy.**

## Major Team Project

Each group is expected to prepare a presentation and write a report on a key topical issue in the global economy. Teams will be tasked to present one “side” or another on this issue (please note that I do not expect or demand that the side your team prepares is a position you personally endorse)! The goal of the assignment is to present a convincing case, but it is also to educate your classmates about the issues involved in each of the topical debates.

The purpose(s) of the debates are to:

- a) Show substantive knowledge of a key current issue within the global economy and to convey that knowledge to your classmates
- b) Be able to argue persuasively for a particular issue or course to be pursued
- c) Be able to anticipate (and if possible defeat) potential counterarguments

Your deliverables will be:

- a) The delivery of a no more than 20-minute presentation that conveys your teams’ position on the specified topic, complete with accompanying slide deck and/or visual package you have created.
- b) An up-to 7 page (5 pages single-spaced text, up to two pages for exhibits and diagrams, title page, footnotes, bibliography etc. do not count) that summarizes your key points and arguments that the presentation makes. This is to be delivered to me and will be posted for the class.
- c) The engagement of discussion with a corresponding team and the class itself

Electronic copies are due directly to me before your presentation begins. Copies of these documents will be posted to the course website at the end of the day in which the debate takes place. They are part of the course material and will be part of the final paper project.

Each side will make their presentation without questions from the audience. At the conclusion of the debate, there will be a question/answer session. Each team will be allocated some time to verbally rebut the statements made by the other team

# Statement on Academic Integrity

Queen's University has an obligation to ensure academic integrity of the highest standards. All cases of cheating or plagiarism will be immediately referred to the Program Director. Students who participate in any form of cheating and/or plagiarism will be sanctioned including possibly being required to withdraw from the course, the School, or perhaps the University. Students should be aware that all instructors reserve the right to use any plagiarism detection software program(s) to detect plagiarism for essays, term papers and other assignments.

Students are expected to carefully review the following points that address academic integrity. Acts of academic dishonesty include, but are not limited to, the following: using the exact words of a published or unpublished author without quotation marks or referencing the source; duplicating a table or graphic without referencing the source; paraphrasing the conceptual framework, research design, interpretation, etc., of another person, whether written or verbal without referencing the source; copying another student's answers in any test or assignment; providing answers to another student in any test or assignment; taking unauthorized materials into an examination; impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any exam; stealing or mutilating library materials; accessing tests prior to the time of the sitting; changing name or answer(s) on a test after it has been returned; submitting the same paper or portions thereof for more than one assignment without agreement of the instructor(s) involved.

## ***ACADEMIC INTEGRITY***

Any behaviour that compromises the fundamental scholarly values of honesty, trust, fairness, respect and responsibility in the academic setting is considered a departure from academic integrity and is subject to remedies or sanctions as established by Queen's School of Business and Queen's University. These behaviours may include plagiarism, use of unauthorized materials, facilitation, forgery and falsification among other actions. It is every student's responsibility to become familiar with Queen's School of Business policy regarding academic integrity and ensure that his or her actions do not depart, intentionally or unintentionally, from the standards described at: [http://business.queensu.ca/about\\_us/academic\\_integrity/index.php](http://business.queensu.ca/about_us/academic_integrity/index.php) .

To assist you in identifying the boundary between acceptable collaboration and a departure from academic integrity in this specific course, I provide the following guidelines for individual and group work. If my expectations still are not clear to you, ask me! The onus is on you to ensure that your actions do not violate standards of academic integrity.

## **Individual Work**

Assignments and examinations identified as individual in nature must be the result of your individual effort. Outside sources must be properly cited and referenced in assignments; be careful to cite all sources, not only of direct quotations but also of ideas. Ideas, information and quotations taken from the internet must also be properly cited and

referenced. Help for citing sources is available through the Queen's University library: <http://library.queensu.ca/help/cite-sources> .

### **Group Work**

I will clearly indicate when groups may consult with one another or with other experts or resources. Otherwise, in a group assignment, the group members will work together to develop an original, consultative response to the assigned topic. Group members must not look at, access or discuss any aspect of any other group's solution (including a group from a previous year), nor allow anyone outside of the group to look at any aspect of the group's solution. Likewise, you are prohibited from utilizing the internet or any other means to access others' solutions to, or discussions of, the assigned material. The names of each group member must appear on the submitted assignment, and no one other than the people whose names appear on the assignment may have contributed in any way to the submitted solution. In short, the group assignments must be the work of your group, and your group only. All group members are responsible for ensuring the academic integrity of the work that the group submits.

### **Consequences of a Breach of Academic Integrity**

Any student who is found to have departed from academic integrity may face a range of sanctions, from a warning, to a grade of zero on the assignment, to a recommendation to Queen's Senate that the student be required to withdraw from the University for a period of time, or even that a degree be rescinded.

As an instructor, I have a responsibility to investigate any suspected breach of academic integrity. If I determine that a departure from Academic Integrity has occurred, I am required to report the departure to the Dean's office, where a record of the departure will be filed and sent to the program office to be recorded in the student file.