



NYU

STERN

The Global Economy
Spring 2021 / COR1-GB 2303 **DRAFT**

Classroom: TBD
Office: TBD
Office Hours: TBD

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COURSE GOALS

The objective of this course is to provide future decision-makers with a systematic understanding of critical aspects of the international business environment, especially the basic workings of the macroeconomy and the roles of international trade and foreign exchange. The class also examines how the forces of globalization affect international business (and your future careers) as well as the challenges of economic development.

Some of the key concepts we will introduce include:

- How are GDP, Unemployment and Inflation measured?
- What are the long-term sources of economic growth and why is productivity so important?
- What causes a recession or recovery?
- What monetary and fiscal policies do countries have to manage the business cycle?
- What is inflation and why does it matter?
- What is money? What is the banking system and how does it influence interest rates?
- What are the economic advantages of trade? (Why do states specialize economically?)
- What are the effects of government trade policies (e.g. tariffs and other barriers to trade)?
- What determines the value of currencies in the short and long runs? What is PPP?
- What choices do states have in setting their currencies? What tools do they employ?
- How are technological changes and globalization impacting labor markets and driving inequality trends? What is the future of work?

TEACHING PHILOSOPHY

The course aims to provide you with an understanding of the fundamental concepts, theories and tools of macroeconomics. Some of the information imparted will be quite specific and exams will test your ability to solve formal problems. However, the true value of the course is in its ability to teach you fundamental concepts and a mode of thinking about economics that you can put to direct use in your future careers.

While exams will feature some problems similar to those found in class and in readings, they will also test your ability to explain, defend or criticize theories or concepts. You will find also that many economic issues are subject to simplification, distortion or misunderstanding in media coverage. As informed observers, this class will equip you with the tools to analyze such issues, dispel myths and make informed decisions.

Students are expected to have done the readings prior to class. Exams will contain a mixture of problem sets as well as short answer questions with hypothetical economic issues. There will be review materials shared prior to the exam. I don't believe in surprises and try to communicate in advance what are the exact expectations for students on the exams.

There will be periodic handouts in class of interesting articles dealing with issues relevant to the course and discussions of current events where applicable and as time allows. It is also recommended that you keep up with current developments in the business environment, both for class purposes and for your own benefit. You can do this by reading the relevant articles in a good newspaper (e.g., *Financial Times*, *Wall Street Journal*, *New York Times*) or weekly magazine (e.g., the *Economist*). You are encouraged to bring up current events for discussion in class.

COURSEWORK AND GRADING

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an "A" or "A-" grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards. The course grade will be based on the following items:

Group Country Analysis	15%
Attendance/Participation	15%
Midterm	35%
Final	35%

COURSE MATERIALS Both textbooks are available in hard copy or as e-books.

Required textbook (free and online):

Global Economy, Version 2.4, NYU Stern Department of Economics, created December 29, 2017.
(Noted as "Global Economy" in the listings of required readings)

If you want a hard copy of the textbook, it can also be purchased from Amazon.com:

<https://www.amazon.com/Global-Economy-Stern-Department-Economics/dp/1536930997>

Any additional materials will be posted on NYU Classes. Slides will be provided at the beginning of each class.

PARTICIPATION/ATTENDANCE

Students should come to class prepared to discuss assigned topics and current issues of the day. In terms of your own value, there are 12 class meetings. Taking away exam times and the introduction, that leaves about 10 class meetings. So a single absence is 10% of the course!

ACADEMIC INTEGRITY

Students are bound by the Stern Code of Conduct. Any act of cheating will be referred to the Dean's office and may lead to an immediate failure of the course.

SCHEDULE OF CLASSES

Please note that schedule and readings are subject to change based on current events or if there is a guest speaker.

Class 1 **National Income Accounting**

Topics: Introduction. Review of how GDP is constructed/measured. Prices and inflation.

Read: *Global Economy*, Chapter 2

Class 2 **Growth**

Topics: What are the sources of long-term economic growth? What is productivity and why is it so important? How does the institutional environment matter for economic growth?

Read: *Global Economy*, Chapters 3 and 4

Zheng Liu, "Is China's Growth Miracle Over?" *FRBSF Economic Letter*, August 10, 2015

Class 3 **Growth II and Labor Markets**

Topics: Discussion of growth (continues). Discussion of what unemployment measures, the dynamics of the labor market

Read: *Global Economy*, Chapters 5, 6 and 7

Catherine Rampell, "The good news, bad news," *The Washington Post*, June 5, 2020

Optional: Timothy B. Lee, "The productivity paradox: why we're getting more innovation but less growth," *Vox*, October 24, 2016

Class 4 **The Business Cycle and Aggregate Demand and Aggregate Supply**

Topics: What is the nature and causes of business cycles? How do we use the AD-AS framework to model the economy in the short and long term?

Read: *Global Economy*, Chapters 10, 12 and 13

Paul Hannon and Saabira Chaudhuri, “Why the Economic Recovery Will be More of a ‘Swoosh’ Than V-Shaped,” *The Wall Street Journal*, May 11, 2020

Class 5 **Monetary Policy**

Topics: The role of money and interest rates, central bank policy options

Read: *Global Economy*, Chapters 14 and 15

Scott Wolla, “Bitcoin: Money or Financial Investment,” *St. Louis Federal Reserve Bank Economic Research Note*, March 2018

Class 6 **Review for Midterm and then Midterm**

Read: **None. Study for Midterm**

Class 7 **Fiscal Policy, Taxes and Demographics**

Topics: Taxes, the dynamics of budget deficits and debt, Discussion of long-run demographic trends and their impact

Read: *Global Economy*, Chapter 16 and 17

Jim Tankersley, “How Washington Learned to Embrace the Budget Deficit,” *The New York Times*, May 16, 2020

Class 8 **Trade**

Topics:, Discussion of Trade

Read: *Global Economy*, Chapter 9

Catherine Rampell, “Trump’s tariffs are already backfiring,” *The Washington Post*, June 14, 2018

Class 9 **Trade (continued) and International Capital Flows**

Topics: National income accounting and current account imbalances

Read: *Global Economy*, Chapter 18

“China’s current-account surplus has vanished,” *The Economist*, March 14, 2019

Group Paper Due for Class 9

Class 10 **Exchange Rates**

Topics: Introduction to exchange rates

Read: *Global Economy*, Chapter 19

Ira Iosebashvili, “Dollar Towers Above Rivals,” *The Wall Street Journal*, August 18, 2019

Class 11 **National Exchange Rate Strategies and Review**

Topics: Government policy choices regarding the exchange rate

Read: *Global Economy*, Chapter 20

Class 12 **Final Exam then Technological Change, Inequality and Lessons**

Topics: Final Exam, discussion of the future of global business, sources of inequality

Read:

Asha Bharadwaj and Maximiliano A Dvorkin, “The Rise of Automation: How Robots May Impact the U.S. Labor Market,” *Federal Reserve Bank of St. Louis Regional Economist*, July 10, 2019

Gregory Clark, “Your Ancestors, Your Fate,” *The New York Times*, February 21, 2014