



October 25, 2017

ECON - UB - 11

ECONOMICS OF GLOBAL BUSINESS

Spring 2018

Paul Wachtel

Course Meetings

ECON-UB 0011.02 Mon and Wed 9:30-10:45
Tisch UC-24

Course Description and Learning Goals

The objective of this course is to provide future decision-makers with a systematic understanding of critical aspects of the global business environment. We will examine the basic workings of the macro economy and explain the role of international trade and international finance. We show how the forces of globalization affect international business and the careers of Stern students. The challenges presented by weak growth of major economies, the threat of deflation, the possibility of future financial crises and the long run prospects for global economic growth and stability are discussed

The course is divided into three parts:

- ***Understanding the open macro economy.*** An understanding of the modern macro economy is essential in order to look at the relationships among countries. We begin with a discussion of globalization and the principle measure of aggregate economic activity – GDP and inflation. We then develop a framework for understanding the determination of output and prices. We examine the role of money and the financial system as well as interest rates and exchange rates. The macroeconomics of the open economy with capital flows and trade is emphasized.
- ***International Trade.*** International trade in goods and services plays a central role in fostering globalization and increasing living standards throughout the world. We explain comparative advantage and demonstrate the gains from

trade as well as the consequences of trade on the distribution of income. We also examine the reasons for and effects of government policies that create impediments to international trade and the efforts underway to reduce trade barriers.

- ***Economic fluctuations.*** The final module addresses short run fluctuations in economic activity and the determination of output and inflation over the business cycle. The use of monetary and fiscal policy to stabilize the economy is studied. We examine the role of government exchange rate policies and the choice between fixed and flexible exchange rates. Importantly, we ask when a monetary union such as the Euro area makes sense. We also examine issues relating to government debt and the determinants of productivity growth.

In short, *Economics of Global Business* provides Stern students with an overview of global economic issues. It serves as the basis for the *International Studies Project* and is a prerequisite for many elective courses in international business and economics.

Course Pre-requisite: ECON-UB 1 *Microeconomics*.

Course Material

N. Gregory Mankiw. *Macroeconomics*, 9th edition, Worth, 2016.

The publisher offers various ways to obtain the book:

<http://www.macmillanhighered.com/Catalog/product/macroeconomics-eighthedition-mankiw/studentpurchaseoptions#tab>

The 8th editions of the Mankiw text can be used without any problem - save your money if it is available.

NYU Stern Department of Economics, *The Global Economy*.

Chapters assigned will be available on NYU CLASSES

Additional readings will be assigned throughout the semester – links or files will be on NYU CLASSES.

Students should keep up with the economic news by becoming regular readers of the *Financial Times* or the *Wall Street Journal* or *The Economist*.

Course Faculty



Paul Wachtel

Paul Wachtel is a professor of economics at New York University Stern School of Business. He has been with Stern for over 40 years and has served as the chairperson of the Economics Department, Vice Dean for Program Development, chairperson of the University Faculty Council and is currently the academic director for the BS in Business and Political Economy. He is the co-editor of Comparative Economic Studies. He received his Bachelor of Arts degree from Queens College in 1966, his Master of Arts in economics from the University of Rochester, and his Doctor of Philosophy from the University of Rochester in 1971. He teaches courses in monetary policy, banking and central banking, global macroeconomics, international economics and global perspectives. His primary research interests are the relationship of financial development to economic growth, central banking in the post-crisis world, and financial sector reform in economies in transition. He has published widely in these areas; see <http://pages.stern.nyu.edu/~pwachtel/>

Teaching Assistant

Exam Dates

Exam 1 – February 28

Exam 2 – April 16

Final Exam – to be announced

If for any reason you will not be able to make one of the exam dates, please discuss it in **advance** with Professor Wachtel. **Be sure** to note the date of the final before you make any travel plans.

Assessment Components

The course grade will be based on the following items with the weights shown:

Exam 1	25%
Exam 2	25
Final	35
Class participation and assignments	15

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 such as this one which is that 35% of students will receive an “A” or “A-” grade. Note however that this is only a guideline and that the actual distribution of grades for this course may differ and your own grade will depend explicitly upon how well you perform in this course.

Professional Responsibilities for this Course

Attendance

Class attendance is essential to your success in this course and is part of your grade. It is expected that you will attend class. Job interviews and travel plans are not considered as valid reasons for absence from class. If you do not expect to be in class, whatever the reason, please notify Professor Wachtel by email in advance

Participation

In-class contribution is a significant part of your grade and an important part of our shared learning experience. Your active participation helps me to evaluate your overall performance. Contributions should be germane, thought out and considerate of the time and interest of your fellow students.

From time to time, I will announce in class and/or by email that a topic or article that will be a subject for class discussion. In such instances, I expect all students to be prepared to participate in the discussion and I will feel free to cold call students. Further, participation in these instances will be noted and graded.

Assignments

Late assignments will not be accepted unless there is a valid reason with arrangements made in advance of the due date.

Classroom Norms

- Arrive in class on time and stay to the end of the class period. Chronically arriving late or leaving class early is unprofessional and disruptive to the entire class. Repeated tardiness will have an impact on your grade.
- Turn off **all** electronic devices prior to the start of class. Laptops, cell phones and other electronic devices are a distraction to everyone and are not to be used in class.

- Eating or drinking in class in any way that interferes with class decorum is inappropriate.

Academic Integrity

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: <http://www.stern.nyu.edu/uc/codeofconduct>

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Tisch UC 24

1	M Jan. 22	Growth and the global economy
2	W Jan 24	Income Accounts
3	M Jan 29	Price indexes, inflation and unemployment
4	W Jan 31	National Income and where it goes
5	M Feb 5	Financial system – Banks and money
6	W Feb 7	Money, inflation and interest rates
7	M Feb 12	Central banks – Role and structure
8	W Feb 14	Monetary policy
	M Feb 19	NO CLASS – President’s Day
9	W Feb 21	Open economy: trade and capital flows
10	M Feb 26	REVIEW
11	W Feb 28	EXAM 1
12	M March 5	Real and nominal exchange rates
13	W March 7	Exchange rates, inflation and interest rates
		SPRING BREAK
14	M March 19	Gains from trade
15	W March 21	Trade, prices and income distribution
16	M March 26	Modern trade theory
17	W March 28	Trade policy and trade barriers
18	M April 2	Improving trade relations
19	W April 4	Business cycles and sticky prices
20	M April 9	Output and prices in the short and long run
21	W April 11	REVIEW
22	M April 16	EXAM 2
23	W April 18	Fiscal policy and monetary policy
24	M April 23	Exchange rate regimes
25	W April 25	Government debt and deficits
26	M April 30	Tax policy
27	W May 2	Productivity and growth
28	M May 7	REVIEW
		FINAL EXAM