Columbia Business School
The Future of the World Economy after the Financial Crisis
January 2015

Abby Joseph Cohen Office Hours: By appointment

Abby Joseph Cohen is a partner at Goldman Sachs in New York. She is senior investment strategist and president of the Global Markets Institute which is part of the firm’s investment research division. Her work focuses on the intersection of economics, financial markets and government policy. Cohen was ranked by industry surveys as the leading equity market strategist for many years, and her work has been highlighted in publications including The Economist, The New York Times, and The Financial Times. Her career is the subject of a Harvard Business School case study and a BusinessWeek cover story. Cohen is a Presidential Councillor at Cornell University and served as chair of the board of the Institute of Chartered Financial Analysts which has more than 100,000 members worldwide. Cohen has degrees in economics and began her career at the Federal Reserve Board in Washington, DC.

Pierre Yared Office Hours: By Appointment

Pierre Yared is an Associate Professor of Business at Columbia Business School and Co-Director of the Richard Paul Richman Center for Business, Law, and Public Policy at Columbia University. He is a macroeconomist whose research focus is macroeconomic policy, growth, and political economy. His research has been published in leading academic journals and has been covered in the Economist, Foreign Policy, and National Public Radio. Yared is a Faculty Research Fellow of the National Bureau of Economic Research, a Foreign Editor of the Review of Economic Studies, and an Associate Editor of the Journal of the European Economic Association and the International Economic Review. He teaches Global Economic Environment, a Core MBA course in macroeconomics for which he received the Dean’s Award for Teaching Excellence. He received his A.B. in Economics from Harvard University and his Ph.D. in Economics from Massachusetts Institute of Technology.

General Course Information

This course addresses the main global macroeconomic risks faced by businesses and governments in the present post-financial crisis era. Some of the questions that we examine include: What are the risks of future financial crises and what are the consequences of new financial regulation? Are the large government debts in the industrialized world going to be problematic over the longer term? What are the main
risks with the path of current monetary policies in different nations? How are technological innovation and globalization structurally changing the labor market? And how should companies, government, and workers respond? How is the growth of emerging economies changing energy and other commodity markets and how is this impacting the environment? Is the US dollar declining in importance as the world’s reserve currency?

The class will address these topics as a conversation through which the two faculty members will highlight the linkages between theory and practice. Since the course draws heavily from current events, it is critical for students to stay informed about current macroeconomic news, and active class participation throughout the term is very important and highly encouraged.

**Teaching Assistants**

Aditya Mohan (AMohan16@gsb.columbia.edu)

**Course Requirements and Grading**

**Pre-requisites**
Global Economic Environment I is required. Global Economic Environment II is recommended.

**Lectures**
There will be 5 sequential day-long classes. Class will include student presentations, discussions of current events, and occasional guest speakers.

**Student Presentations**
Every student is responsible for taking part in group presentations which will take place on every day of class. Students will be given time to research a particular topic during class and will debate the topic with their classmates.

**Final Paper**
Every student is responsible for a final paper. The final paper is 5-8 pages (not including figures and charts). The paper must address one of the global macroeconomic policy issues discussed during the course. Most crucially, the students must take a position either defending or criticizing current macroeconomic policies (including trade, regulatory, etc.), and they should utilize economic reasoning along with any available evidence in making their arguments. The faculty will be available to discuss potential topics with the students during office hours.

**Grading**

- **Final Paper: 50%**
• **Presentation:** 20%
• **Participation:** 30%

**Course Outline and Readings**

Starred items are required. The rest are optional.

**Lecture 1: Managing Financial Crises**

**Issues:** What caused the recent global crisis and where are we headed? What are the different forms that financial crises can take? What is the consequence of financial regulation for the functioning of the financial markets? How does regulation impact large versus small firms and large versus small financial institutions?

**Readings**


Mian, A., Sufi, A., & Trebbi, F. (2010, Jul 11). The political economy of the subprime mortgage credit expansion. *Vox EU.*


Lecture 2: The Future of Monetary Policy

**Issues:** Did monetary policy play a role in causing the recent crisis and did policy makers respond appropriately? What should be the Fed’s exit strategy? How does the Fed’s exit strategy affect advanced economies and emerging markets? Have central bankers become more political?

**Readings**


Lecture 3: Is Current Fiscal Policy in the OECD Sustainable?

**Issues:** Did the Obama fiscal stimulus work? What were the failures of fiscal and monetary policy in the Euro zone and where is Europe heading now? Are the large government debts in the industrialized world going to be problematic over the longer term?

**Readings**


Horioka, C. Y., Nomoto, T., & Terada-Hagiwara, A. (2014, Jan 21). Why hasn’t Japan’s massive government debt wreaked havoc (yet)? *Vox EU.*


**Lecture 4: Productivity in Advanced Economies**

**Issues:** Why has productivity declined in industrialized countries? Are the productivity measures accurate? Why are businesses substituting away from workers and investing more into capital? How is aging and the decline routine employment contributing to the changes in productivity? To what extent can reforms in immigration, education, and entitlements change the trajectory for these economies?

**Readings**


*Gopinath, G., Kalemli-Ozcan, S., Karabarbounis, L., &Villegas-Sanchez, C., (2015, Sep). Low interest rates, capital flows, and declining productivity in South Europe. Vox EU.*


**Lecture 5: Where is Growth Headed in Emerging Markets?**
**Issues:** Is the export-led and manufacturing-intensive growth of emerging markets such as the BRICs sustainable? How are industrialized nations responding to export competition from the emerging markets? How is rapid economic growth in emerging markets connected to rising imbalances? Is the US dollar declining in importance as the world’s reserve currency?

**Readings**


*Song, Z., Storesletten, K., & Zilibotti, F. (2010, May 2). The “real” causes of China’s trade surplus. *Vox EU*.
