Columbia Business School
The Future of the Global Economy
January 2022

**Abby Joseph Cohen Office Hours:** By appointment

Abby Joseph Cohen is an advisory director and senior investment strategist at Goldman Sachs in New York. Her research is focused 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, a *BusinessWeek* cover story, and a New Yorker profile, including cartoon. Cohen is a Presidential Councillor at Cornell University, a Life Overseer of Weill Cornell Medicine and heads the steering committee of the Jacobs Innovation Center at the new Cornell Tech campus in New York City. She is on the executive committees of the Brookings Institution and the Jewish Theological Seminary. She 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 the MUTB Professor of International Business at Columbia Business School and Vice Dean for Executive Education. His research, which has been published in leading academic journals, focuses on macroeconomic policy, political economy, and growth. He is a research associate of the National Bureau of Economic Research and an associate editor of the *American Economic Review*, the *Journal of Monetary Economics*, and the *Review of Economic Studies*. Yared teaches Global Economic Environment, a Core MBA course in macroeconomics for which he received the Dean’s Award for Teaching Excellence. He is a member of the Council on Foreign Relations and the Economic Club of New York. Yared received his AB in Economics from Harvard University and his PhD in Economics from Massachusetts Institute of Technology.

**General Course Information**

This course addresses the main global macroeconomic risks faced by businesses and governments. Some of the questions that we examine include: What are the short-term and long-term economic consequences of the COVID-19 pandemic? What are the risks of future financial crises and what are the consequences of financial regulation? What is the
future for unconventional monetary policy and fiscal policy in advanced economies? What are the costs of the trade war and where is it going? How is geopolitical uncertainty impacting the global trading system and global capital flows? What is the status of global competitiveness and investment, and how is government policy and regulation promoting or stifling innovation? How are demographics, immigration, geographic polarization, and automation impacting the labor market and inequality?

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

Sara Toninelli (SToninelli22@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. Students are expected to have read the required readings before class and have also answered the online questions checking the readings before class.

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 should be no longer than 1500 words. The paper must address one of the proposed paper topics listed at the end of the syllabus. The students should utilize economic reasoning along with any available evidence in making their arguments.

Grading
• Final Paper: 40%
• Presentation: 30%
• Participation: 30%

Course Outline and Readings

Starred items are required. The rest are optional.

Lecture 1: Global Financial Conditions

Issues: We focus on the connection between financial markets and the macroeconomy. We examine on the causes of global financial crisis, the fiscal and monetary response, and the evolution of financial regulation. We discuss how financial markets have evolved in the aftermath of the global financial crisis, touching on the different sources of macroeconomic risks. We discuss the changing role of central bankers and how monetary policy is impacting the real economy and financial stability. We discuss the challenges faced by global central banks close to the zero lower bound, focusing on the usefulness of unconventional policy tools, such as quantitative easing and negative interest rates.

Readings

*Nakamura, Emi, Pierre Yared, and Jack Lysohir (2016) “Lehman Brothers: Too Big to Fail?”, Columbia CaseWorks

*Debate materials for “Should climate risk be part of the mandate of the ECB?”


Vincent and Yared (2017), Chapters 20-22 and Chapter 16

Lecture 2: The COVID-19 Pandemic

Issues: We evaluate different disease spread scenarios in a pandemic and discuss why a pandemic driven recession differs from a typical recession. In addition, we address the extent to which a pandemic poses a financial risk for the global economy and the appropriateness of governments’ economic monetary and fiscal policy responses. Finally, we assess different post-pandemic scenarios for the global economy.

Readings


*Debate materials for “Should the U.S. pass (have passed) the Build Back Better bill?”
Vincent and Yared (2017), Chapters 18-19


Lecture 3: The New Era of De-Globalization

Issues: The post-war periods witnessed a dramatic expansion in global trade in goods, services, and capital. The trade war between the U.S. and China along with Brexit are two facets of a broader trend of de-globalization, as trade and capital flows have been growing at a slower pace in the aftermath the global financial crisis. We discuss the impact of globalization, some of the causes of the backlash against it, and we also address the risks and potential opportunities associated with current trends away from globalization. Our discussion touches on the importance of international supply chains, trends in global commodity markets, as well as the current and future role of the dollar in the global financial architecture.

Readings


*Debate materials for “Should the Biden administration lift tariffs on China’s imports?”


Lecture 4: Global Growth and Competitiveness

Issues: We address trends in global growth and the extent to which government policies are promoting or hampering growth. Our discussion touches on trends in productivity and public and private investment across advanced economies and emerging markets, whether regulation and anti-trust policy has been a facilitator or a barrier to productivity growth.

Readings


*Debate materials for “Should the G20 adopt the global minimum tax?”


**Lecture 5: The Future of the Work**

**Issues:** We discuss the future of work, as well as the role played by automation, globalization, demographics, and government policy in driving trends in employment and compensation. We address why inequality has risen and the labor share has declined across advanced economies; what is the role of immigration in labor market outcomes; and what explains the polarization in economic outcomes across regions within advanced economies.

**Readings**


*Debate materials for “Should governments give citizens irrevocable ownership of their personal data?”

**Proposed final paper topics/questions:**

1. What are some of the problems of quantitative easing, and what can central banks do to make it a more effective policy?
2. Compare the economic policy response to the COVID-19 pandemic across two or more countries, highlighting what was effective and what was ineffective.
3. What are the long-term risks from the extraordinary economic policy responses to the COVID-19 pandemic in advanced economies?
4. Is China’s economic growth sustainable? Can its currency ever rival the dollar?
5. Is there too much concentration in some sectors of the US (or global) economy? What are some policies that should be pursued to boost global competitiveness?
6. Are there protectionist policies that advanced economies should be pursuing to reduce inequality?
7. What does automation mean for jobs in the future? Does it destroy more jobs than it creates?