Course Meetings
ECON-UB 0011.02 M, W  9:30-10:45
ECON UB 0011.03 M, W 11:00-12:15
Location: KMEC 4-120

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 then 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:

- **Part I Understanding the macro economy.** An understanding of the modern macro economy is essential in order to look at the relationships among countries. We start with the way economists measure economic performance and introduce key terms such as inflation, real growth and unemployment. We examine how the economy grows in the long term and the role of productivity. We also examine the business cycle and how fiscal and monetary policies affect the economy in the short run and long run. The discussions emphasize international economic relationships – trade and capital flows, exchange rates and globalization.
Part II Trade and trade policy. As international trade plays a central role in fostering globalization, we start with an examination of the economics of international trade in goods and services. We examine the role of comparative advantage as a determinant of the location of production and the direction of trade. We also examine the reasons for and effects of government policies that create impediments to international trade. Trade policy continues to be a contentious issue among countries; we examine efforts to reduce trade barriers.

Part III Policy in the open economy. The final module addresses the role of money and finance in an international context. We examine the role of exchange rates in international finance with an emphasis on exchange rate regimes. Government exchange rate policies and the choice between fixed and flexible exchange rates are examined. We examine the role of capital flows and sovereign debts. Importantly, we will ask when a monetary union such as the Euro area makes sense and discuss whether the Euro will survive. We also examine economic development and the role of international institutions such as the IMF and the World Bank.

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 Materials
   The publisher offers various ways to obtain the book: http://www.macmillanhighered.com/Catalog/product/macroeconomics-eighthedition-mankiw/studentpurchaseoptions#tab

HBS course pack on Trade - https://cb.hbsp.harvard.edu/cbmp/access/32079365


Other required readings will be found through links on the syllabus or they are posted 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. Class will often begin with a discussion of current events; students should be prepared to participate.
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 degree. 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 areas of research include 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

To be announced.

Important Dates

Exam I – March 11
Exam II – April 13
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 I 30%
Exam II 30%
Final exam 35%
Class participation and assignments 5%
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](http://www.stern.nyu.edu/uc/codeofconduct)
ECON-UB 0011
ECONOMICS OF GLOBAL BUSINESS
Spring 2015

Course Outline and Readings

M – Mankiw, Macroeconomics, 8th ed.
HB – HBS Course pack
Additional readings - Links provided below or files posted on NYU CLASSES.

Part I – Understanding the Macroeconomy

Introduction: Globalization and economic growth
Ben S. Bernanke, Global Economic Integration: What's New and What's Not?
August 25, 2006

Measurement: Income accounts, Price indexes and inflation
M chapters 1-2

National Income determination: Markets for goods, factor and loanable funds
M chapter 3

The Financial System: Banks, money creation, central banks and monetary policy
M chapter 4

Money, inflation and interest rates
M chapter 5

The Open Economy: Trade, capital flows and exchange rates
M chapter 6
The Economist, Big Mac Index
Part II – Trade Theory and Trade Policy

Gains from trade
   HB – Comparative Advantage
   TP chapters 3-4

Trade, prices and factor markets
   TP chapters 5

Modern Trade theories
   HB – ‘New’ Theories of International Trade
   TP chapter 6

Trade barriers and improving trade relations
   TP chapter 8
   HB – Stalemate at the WTO
   Paige McClanahan, Doha round trade talks – explainer, The Guardian
   Articles on US Sugar policy:
      o M. Groombridge, America’s Bittersweet Sugar Policy, Cato Institute, 2001.
      o US Sugar Policy, Sugarcane.org
      o WSJ articles on Sugar (NYU Classes)
   TP chapters 11 (Dumping pp.229-40, Export subsidies pp.251-6)

Trade areas and currency unions
   HB – Europe: An Ever Closer Union?

Part III – Policy in the Open Economy

Business cycles, short run fluctuations and stabilization policy
   M chapters 10, 11.1, 12.1, 13.2, 18
   Krugman, Babysitting Parable
   Much Ado about Multipliers, The Economist, Sept. 26, 2009
Balance of Payments and Exchange Rate Regimes
   HB- Reading a Balance of Payments Statement
   M chapter 13.5

Government Debt and Sovereign Debt
   M chapter 19

Productivity and Growth
   M chapter 9