Columbia Business School, Fall 2022

B8250 Global Economic Environment II: Macroeconomic Policy

Professor Shang-Jin Wei

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Office Hours: by email appointment, generally in Thursday afternoons

Times and Venue:  TBA

Course Assistants: TBA

Course Description

This course is a sequel to the core course Global Economic Environment I. Building on the fundamentals introduced in that course, we develop a conceptual framework to understand the complex interactions between macroeconomic policy and business cycle fluctuations.

We examine the determinants of key economic variables such as real output, inflation, employment, interest rates, exchange rates, and their interactions in the global economy. We examine the conduct and implementation of monetary and fiscal policies, in the U.S. and other economies.

Since an important goal of this course is for students to become informed and sophisticated consumers of economic news, the discussion in this course will also draw from current events and real-world examples.

Course Objectives

To acquire a solid theoretical and applied understanding of the macroeconomy and its relationship to financial markets and the economic environment in which firms operate. To develop a critical and sophisticated view of economic policy questions.

Course Materials

Textbook: Parts 4 and 6 of Macroeconomics: Policy and Practice, by Frederic S. Mishkin, 2nd edition, Publisher: Prentice Hall, 2014. Having your own copy of the book provides the most convenience, although some copies of the textbook are on reserve at the Watson library in Uris hall.

Alternative: If you are diligent, you might find similar material in The Economics of Money, Banking, and Financial Markets (by Frederic S. Mishkin, 12th edition, Publisher: Prentice Hall, 2014). However, the first book will be the most convenient for this course.
**Additional Readings:** You are encouraged to read the economics pages of at least one of the following publications on a regular basis: The Economist, The Wall Street Journal, The Financial Times, or The New York Times.

**Course Requirements and Grading**

**Class Sessions** *(See the calendar on Canvas for the schedule)*
There will be 12 classes. There will be an in-class exam in the last session.

**Friday Review Sessions (optional)**
Optional review sessions by a course assistant will be held on Fridays. They will review or answer questions about the material covered in class and the homework assignment. The last review session before the exam will summarize the key material in the course.

**Student debates**
There will be several student debates to enhance learning (assignment type A). Each debate will take place in class and will last 15-20 minutes. It will involve two student teams who are asked to take a pro or con position on a topic related to the course. Each group will present its position in 4 minutes, followed by a 2-minute rebuttal to the rival group’s point and a general class discussion. Each group will need to submit the slides to the course assistant and the professor in the weekend before the debate. The debate topics and the schedule are listed later in the syllabus. The group assignment will be posted on Canvas.

Two polls of the class will be taken, before and after each debate, respectively. The team with a net gain in the votes will be the winner.

**Cases**
There will be two major case assignments, which consist of questions to be written up as well as questions to be prepared for general class discussion. These will be done in groups (assignment type A) of 2-4 people. Only one write-up per group needs to be submitted on Canvas. Late cases will not be accepted. Unlike the debates, the groups for the case discussion are formed on a voluntary basis, though they can overlap with the debate groups. All group members should be prepared to discuss the answers in class.

**Problem sets**
There will be three problem sets. You must submit the problem sets on Canvas (a copy of hand-drawn graphs is acceptable) and answers will be posted soon after. You may consult with your classmates, but each student should hand in his or her own independently written answers (assignment type B). No answers to problem sets should be exchanged physically or electronically. Late problem sets will not be accepted.

**Participation**
You are expected to contribute to the learning of everyone in the class. Good participation is defined as:
- Be on time and present in each class.
- Do the assigned readings before each session.
- Participate actively in class discussions, pulling in insights from readings and the news.
- No usage of electronic devices in class unless asked by the professor.

**Exam**
A final examination will take place in the last session of the course. While this exam will be closed book, two
double-sided (8 ½"-11") "cheat-sheets" are allowed. These may contain any notes you choose to have. Final exams will not be returned, but will be available for reviewing after the end of the semester.

**Grading**
- Problem sets: 30 points
- Case preparation: 20 points
- Debates: 15 points
  - (10 points for quality of preparation and presentation, and 5 points for winning the debate. 3 points to each team if it is a tie.)
- Class participation: 35 points
  - (5 points reduction for each absence not excused by the Office of Student Affairs.)
- Final exam: 80 points

**Total points:** 180 points
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<td>The AD/AS Framework: Part 1</td>
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<td>Problem set 1 due</td>
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<td>• The AS curve</td>
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<td>Problem set 2 due</td>
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<td>Ch. 12 (299-307)</td>
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<td>Application: Disinflation</td>
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<td>Monetary Policy in Action</td>
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<td>Policy Objectives &amp; Complications</td>
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<td>Written Answers for Case 1 due</td>
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<td>Slides for debates due</td>
<td><strong>Major Case 1: Monetary policy in action: The FOMC meeting of 1992</strong></td>
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<td>Learning from Debates</td>
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<td>Debate 1: Will the Federal Reserve raise the US interest rate by the summer of 2022?</td>
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<td>Debate 2: Will the euro appreciate in value relative to the dollar in the next 12 months?</td>
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<td>Debate 3: Should the United States introduce a digital dollar to compete with other countries?</td>
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<td>Debate 4: Will China’s new 3-child policy raise its potential output over the next two decades?</td>
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<td>Fiscal Policy in Action</td>
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<td>Slides for the debates due</td>
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<td>Taking Stock + 2nd Set of Debates:</td>
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<td>Debate 5: Will the US dollar lose its dominant position in global finance by 2040?</td>
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<td>Debate 6: Should Hong Kong abandon its linked exchange rate system?</td>
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<td>Debate 7: Will President Biden’s tax package make the US economy stronger?</td>
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<td>Taking Stock: The Science and Art of Macroeconomic Policies</td>
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<td>FINAL EXAM (in-class exam)</td>
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