Columbia Business School  
The Future of the Global Economy  
January 2023  

Abby Joseph Cohen Office Hours: By appointment  

Abby Joseph Cohen is a Professor of Business at Columbia Business School. She was a longstanding partner at Goldman Sachs in New York, recently serving as an advisory director and senior investment strategist. 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 Fellow 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 Chartered Financial Analyst Institute which has more than 125,000 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. 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 is behind the current trends in inflation and what can the government do about it? What are the costs of the trade
war and supply chain disruption and where is it all going? How is geopolitical uncertainty impacting the global trading system and global capital flows? What are the 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 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

Alvaro Liebana Lafita (ALiebanalafita23@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: The New Era of Inflation

Issues: We address the demand, supply, and policy reasons behind the increase in global inflation in the aftermath of the COVID-19 pandemic. The discussion touches on the role of energy prices, global supply chain stress, worker shortages, and fiscal and monetary policy. We also address historical parallels for the current situation and discuss different scenarios for the future.


*Debate materials for “Should the Fed have adopted its new monetary policy framework?”


Rouse, Cecilia, Jeffery Zhang, and Ernie Tedeschi (2021), “Historical Parallels to Today’s Inflationary Episode”. Link

Lecture 2: The New Era of De-Globalization

Issues: The post-war periods witnessed a dramatic expansion in global trade in goods, services, and capital. The COVID-19 pandemic and the war in Ukraine have led to significant supply chain disruptions. Prior to that time, the trade war between the U.S. and China along with Brexit reflected part 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?”


Vincent and Yared (2017), Chapters 23-26

**Lecture 3: COVID-19 and the Future of Monetary and Fiscal Policy**

**Issues:** We discuss what makes a pandemic driven recession different from a typical recession, and we address the logic behind the monetary and fiscal policy responses that were taken during the pandemic. We also evaluate the long-term ramifications of the COVID-19 pandemic and the policy responses for the global economy.

**Readings**


*Debate materials for “Should the ECB's Monetary Policy Framework Include Tackling Climate Change?”


Vincent and Yared (2017), Chapters 18-19


**Lecture 4: Global Financial Conditions**

**Issues:** We focus on the connection between financial markets and the macroeconomy and on assessing global economic conditions. We revisit 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 and trends, such as developments in ESG and cryptocurrency. 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

*Should the US government pass the Responsible Financial Innovation Act?*


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

**Lecture 5: Global Growth and Competitiveness and the Future of Work**

**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. 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 Biden have issued his anti-trust executive order?”*


**Proposed final paper topics/questions:**

1. Do you think that high US inflation is a temporary or a long run phenomenon?
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 monetary and/or responses to the COVID-19 pandemic in advanced economies?
4. Should the Fed adopt a central bank digital currency? If so, in what form?
5. Is China’s economic growth permanently lower, or will it rebound to pre-pandemic levels?
6. 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?
7. Are there protectionist policies that advanced economies should be pursuing to reduce inequality?
8. What does automation mean for jobs in the future? Does it destroy more jobs than it creates?