

Columbia Business School

Structural Disruptions in the Global Economy

January 2024

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, Senior Vice Dean for Faculty Affairs, 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. The course delves deeply into the critical events of the past 20 years that have permanently changed the structure of the global economy, focusing specifically on the impact on financial markets and financial policy. The experience of those events is used

as a lens through which to view present macroeconomic conditions. Some of the questions that we examine include: What are the risks of future financial crises and what are the consequences of financial regulation? What are the long-term economic consequences of the COVID-19 pandemic? What was behind the post-pandemic inflation and did governments respond appropriately? How is geopolitical uncertainty impacting the global trading system and global capital flows? What is the future for unconventional monetary policy and fiscal policy in advanced economies?

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

Alfredo Lafita Saenz-Diez (alafitasaenzdiez24@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 has been assigned to a debate team and each debate team has been assigned to a debate topic and to a position. There will be one or two debates on each day of the class. Debate preparation should happen outside of class prior to the day of the debate. Information corresponding to the debate structure and the deliverables is included on Canvas.

Final Exam

The final exam will consist of an essay. Students will be allowed to choose from three possible essay topics that will be provided prior to the date of the exam. Grading will be based on clarity of argument, use of economic logic, and use of empirical evidence.

Grading

- **Final Exam: 40%**
- **Presentation: 30%**
- **Pre-Class Questions: 10%**
- **Participation: 20%**

Course Outline and Readings

While the focus of each lecture will be a specific topic associated with the readings, the faculty will also spend time each day discussing some salient topics in the global economy that are dominating the business news cycle. Students are encouraged to be up to date on the news and to come prepared for a discussion.

Starred items are required. The rest are optional.

Lecture 1: Global Financial Crisis and Its Aftermath

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

Debate materials for “Should the US government have allowed Lehman to fail?”

Debate materials for “Did regulatory failures lead to the downfall of SVB?”

Blinder, Alan (2013) *After the Music Stopped*, Penguin Press.

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

Lecture 2: COVID-19 and Reopening

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

*Vincent, Nicolas, Gabriele Martegiani, and Pierre Yared (2020) “Into the Abyss and Back: COVID-19 and the Economy”, Columbia CaseWorks

Debate materials for “Should China pursue a larger fiscal and monetary expansion?”

Lecture 3: Post-Pandemic 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.

*Yared, Pierre, and Nicholas Vincent (2022) “How to Fight Inflation: March 2022 FOMC Meeting,” Columbia CaseWorks

Debate materials for “Should the Fed increase interest rates at its next meeting in January 2024?”

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

Powell, Jerome H. “Monetary Policy in the Time of COVID,” (2021). [Link](#)

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

Lecture 4: 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

*Alfaro, Laura, and Rafael di Tella (2018) “The U.S. Current Account Deficit”, Harvard Business School Case

Debate materials for “Is the large US current deficit sustainable?”

Debate materials for “Should the US government continue to pursue an industrial policy?”

Fajgelbaum, Pablo D. and Amit K. Khandelwal (2021) “The Economic Impacts of the US-China Trade War”. [Link](#)

Vincent and Yared (2017), Chapters 23-26

Lecture 5: The Long-Run Outlook

Issues: Are the large government debts in the industrialized world going to be problematic over the longer term? What are the implications of aging as well as trends in productivity and AI for the long-run outlook for the global economy?

Readings

Debate materials for “Should abandon the fiscal rules prescribed by the Stability and Growth Pact?”

Vincent and Yared (2017), Chapters 18-19

Yared, Pierre (2019) “Rising Government Debt: Causes and Solutions for a Decades-Old Trend” Journal of Economic Perspectives. [Link](#)