Course Meetings
ECON-UB 0011.03 Tu, Th 9:30-10:45
ECON UB 0011.04 Tu, Th, 11:00-12:15
Location: Tisch 200

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 tepid economic growth in the US, the financial crisis in the Euro zone and the long run prospects for global economic growth are discussed.

The course is divided into three parts:

- **Part I 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 II Understanding the modern 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. Finally, we explore the role of banks...
and central breaks and the importance of financial stability and the consequences of financial crises.

- **Part III Exchange rates, international finance, crises and development.** The final module addresses the role of money and finance in an international context. We start with the Balance of Payments and macroeconomics of international financial flows. We then turn to the role of exchange rates in international finance and explore the factors that determine exchange rates such as inflation, growth and interest rates. Government exchange rate policies and the choice between fixed and flexible exchange rates are examined. 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 (néé C30.0001) *Microeconomics.*

**Required Course Materials**

**Texts**


Both books are available as custom readers that include the chapter assigned or as eBooks. Information on how to obtain them can be found on Blackboard.

The prior editions of both books are perfectly satisfactory; in both instances the content is little changed. A guide to any differences between the editions will be posted on Blackboard.

**Additional readings**

Other readings will be found on Blackboard and on the syllabus - either the file or link to the reading.

**Other**

Students should keep up with the economic news by becoming regular readers of the *Financial Times* or the *Wall Street Journal* or *The Economist.*
Paul Wachtel is a professor of economics at New York University Stern School of Business. He has been with Stern for 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/](http://pages.stern.nyu.edu/~pwachtel/).

### Teaching Assistants

For 9:30 class -- Christina Lui christina.lui@stern.nyu.edu  
For 11:00 class – Arjun Kathuria ak3777@stern.nyu.edu

Students may attend office hours of either TA whenever convenient. Office hours will be posted on Blackboard. However, grading and record keeping will be handled by the TAs according to class assignment.

### Important Dates

- **Exam I** – Tuesday, October 9th
- **Exam II** – Tuesday November 20th
- **Final Exam** – Friday, December 21 (8:00AM)

If for any reason you will not be able to make one of the exam dates, please discuss it in advance with Professor Wachtel so we can make alternative arrangements.

CLASS will NOT be held on:
- September 18
- October 2
- October 16
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 seek to teach challenging courses that allow students to demonstrate their mastery of the subject matter. In general, students in undergraduate core courses can expect a grading distribution where:

- 25-35% of students can expect to receive A’s for excellent work
- 50-70% of students can expect to receive B’s for good or very good work
- 5-15% of students can expect to receive C’s or less for adequate or below work

Note however that the School uses these ranges only as a guide. The actual distribution of grades for this course may differ from the above and your own grade will depend explicitly upon how well you actually 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. An excused absence can only be granted in cases of serious illness, grave family emergencies, or religious observance. Job interviews and travel plans are not considered as valid reasons for absence from class.

Whenever possible, please notify Professor Wachtel by email in advance if you do not expect to be in class, whatever the reason.

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. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

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
ECON-UB 0011

ECONOMICS OF GLOBAL BUSINESS

Course Outline and Readings

Texts
KW – Krugman and Wells, Macroeconomics, 3rd ed.

Links are provided below for other items or the files are posted on Blackboard.

Schedule and reading assignments are subject to change.

Part I – Trade and trade policy

Class 1


READINGS:
For a good optional review of the basics see TP chapters 1-2 or KW chapters 1-3.

Classes 2 - 4

Why do countries trade?

READINGS:
TP chapters 3 to 6

Classes 5 – 6

How governments interfere with trade and why

READINGS
TP chapters 8 to 11
Classes 7 - 8

**Further topics in trade**

**READINGS**

TP chapters 13 - 15

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Class 9 – October 9 -- Exam I

**Part II – Understanding the Modern Macro economy**

Classes 10 - 11

**Introduction to macroeconomics and measurement**

**READINGS:**

KW chapters 6 - 8


Classes 12 - 14

**Growth and the economy in the long run**

**READINGS:**

KW chapters 9 and 10


Classes 15– 16

**Fluctuations in economic activity**

**READINGS:**

KW chapters 11 and 12

Krugman, *Babysitting Parable*  

Class 17

**Fiscal policy and deficits**

**READINGS:**

KW chapter 13


Classes 18-19

**Money and monetary policy**

**READINGS:**
- KW chapters 14 to 15

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**Class 20 – November 20 – Exam II**

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**Part III – International finance and policy**

Class 21

**Balance of payments**

**READINGS**
- TP chapter 16

Classes 22 - 23

**Exchange rates, interest rates and inflation**

**READINGS**
- TP chapters 17 to 19
  - The Economist’s, *Big Mac Index*

Classes 24 – 25

**Exchange rate regimes and monetary union**

**READINGS**
- TP chapter 20 and 25

Class 26

**Banking crisis, sovereign debt crisis and more**

**READINGS:**
- TP chapter 21 and KW chapter 17

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**Final Exam --** Friday, December 21, 8:00AM