The Global Economy (MGMT 406)  
Prof. Christian Dippel  
Syllabus Fall 2014

Office: C5.12  
Email: Christian.dippel@anderson.ucla.edu  
Office Hours: TBA

Teaching assistant: Youngjin Song  
Email: youngjin.song.2015@anderson.ucla.edu  
Office Hours: TBA

COURSE DESCRIPTION

The world economy has been on a roller coaster ride in the past several years. What are the drivers and effects of global macroeconomic patterns and convulsions? This class will provide you, as future decision-makers, with a systematic way to analyze and understand domestic and global macro-economic fluctuations and trends that will impact today’s and tomorrow’s business environment. The course will feature simple models that provide an analytical framework, but it will also have an applied data-driven focus.

We will first cover the basics: GDP, monetary policy, inflation, interest rates, unemployment, economic fluctuations (business cycles), productivity, exchange rates, international capital flows, the relationship between trade and productivity, government and national debt, demographic trends, and balance-of-payment crises.

We use the core concepts as a springboard to analyze important historical events such as the Great Depression and the Latin American and Asian crises of the late 90s, and the mega-trends of the last two decades, such as skill-biased technological change, increasing income inequality and the hollowing-out of the middle-class, the rise of Chinese manufacturing, and Japan’s stagnant growth over the same period. We will also discuss current hot-button economic issues such as (the aftermath of) the recent U.S. housing and financial crisis, and the ongoing Euro-crisis. Along the way we will discuss concepts like Quantitative Easing, and the productivity-consequences of NAFTA.

At the end of the course, students will be able to evaluate and forecast economic trends and countries’ long run growth prospects, better understand how the macro environment impacts individual firms’ profitability, and better understand how to profitably invest globally.
ORGANIZATION

- **Physical location:** TBA
- **Class-website:** TBA
- **Recommended Textbook:** I recommend Mankiw’s *Macroeconomics* as a reading for this course, although the lectures are stand-alone and the textbook is not required. The 8th edition is the best, but if you get a good deal on edition 7, this is also ok.
- **Slides:** I will post lecture notes before each class, and also hand out hardcopies for note-taking in class.
- **Readings:** For every class there will be at least one recent press article that I will distribute through the course website before class. These readings are required, and constitute an preparation for class participation and discussion.
- **Core-topics:** Instead of requiring you to read whole textbook chapters, I will email you a short list of core topics for next class on each Monday. It is your responsibility to get a basic understanding of these core concepts before class, either from the recommended textbook or from free online resources.
- **Online Quizzes:** In most weeks, I will post a short online quiz of multiple choice questions on the class website. These are required, and graded, preparation for class.
- **Groups:** Both the report/presentation in week 10 and the final report are group-based assignments. Students will form 8 -- 10 groups of between 4 and 6 people, depending on enrollment. 10 groups is the absolute maximum because every group presents in the last class. Students will be asked to form groups among themselves after class 1, whoever is not in a group by week 3 will be assigned.

Also Recommended:
- Reading *The Economist* (weekly) or the *Wall Street Journal* (daily) is very useful.
- Mankiw’s *Macro* website: [http://bcs.worthpublishers.com/mankiw7/](http://bcs.worthpublishers.com/mankiw7/)

Requirements:
- **Online quizzes:** In several weeks, on the Monday night before each class, a short multiple choice quiz will be posted online on the class website. This quiz is due the night before class, at 11.50pm. There will probably be a total of 7 quizzes, and only the best 6 will be graded, so everyone gets one free shot.
- **Exam:** It takes 6 weeks to cover the *core* topics of international macro-economics. Instead of having a midterm and a final, we will therefore have a full exam in week 7, which tests on the core material. This allows us to focus entirely on case-discussion and applications for the remaining 3 weeks of class. Sample-exams will be provided for practice.
- **Participation:** A good learning experience requires participation, and it is especially important for the case-discussions.
• **Group Assignment 1, investment decision:** You will be investors betting on megatrends in global markets. Pick a megatrend (e.g. aging, the rise of China etc.), and make a sales pitch for a specific company that stands to benefit from this trend. (You can also recommend shorting a company.)
  o 50% of the grade will be determined by the written report (about 3-4 pages), and the other 50% will be based on an in-class survey of your classmates, based on how convincing your sales pitch was.

• **Final Group Assignment 2:** A final report profiling a country as a place to invest. This report should be about 15 pages long, display some in-depth analysis of a country’s growth perspectives, and opportunities and risks for businesses considering operations in the country. The report should make use of both data and materials we learnt in class. The report is due on December 18th, at 11.50pm, i.e., one week after the last class.

**Grades:** Your grade for the course will be based on your performance on all of the requirements, weighted as follows:

- Online quizzes: 15%
- Participation: 10%
- Midterm exam in week 7: 30%
- Report and presentation week 10: 20%
- Final report (country-profile): 25%

**Office Hours:** TBA.

**Tutorials:** Youngjin will hold one or two tutorials before the midterm.

**Instructor Contact, Feedback and Evaluation**
Your feedback is very valuable throughout. There will be a final course evaluation, as well. You are free to contact me at any time to discuss the course and offer suggestions. In addition, if there is a pertinent topic that you would like to see discussed in class, absolutely feel free to email me suggestions a few days before class and I will try to incorporate that.
Tentative Class Outline

The course is organized in several parts. Each part covers a specific set of concepts and tools. We will move chronologically through the topics. The time devoted to each part is not fully determined; it depends on how the class proceeds and how much discussion there is in class.

I. Introduction to Global Macroeconomics

Recommended Readings: Mankiw (Ed. 7, Ch. 1, 2, 3, 7 or Ed. 8, Ch. 1, 2, 3, 8)


II. The Economy in the Short Run I

Recommended Readings: Mankiw (Ed. 7, Ch. 9, 10 or Ed. 8, Ch. 10, 11)

Topics: The classical AS-AD model (where confidence and money don’t matter and there can be no unemployment), the Keynesian Cross, the “money market” (where interest rates are set)

III. The Economy in the Short Run II

Recommended Readings: Mankiw (Ed. 7, Ch. 11 or Ed. 8, Ch. 12)

Topics: The IS-LM model, the short-run model in the long-run: connecting IS-LM and AS-AD model, what determines prices (inflation)

IV. The Politics and Institutions of Unemployment and Inflation

Recommended Readings: Mankiw (Ed. 7, Ch. 4, 6, 13 or Ed. 8, Ch. 5, 7, 14)

Topics: Why is inflation costly and why do we see it anyway? The inflation-unemployment trade-off for monetary policy makers. Unemployment, and institutional differences in labor markets in the U.S. and in Europe. Skill-biased technological change and the hollowing-out of the middle-class.
V. Forecasting, Crises, and Intro to Globalization

Recommended Readings: Mankiw (Ed. 7, Ch. 15, 5 or Ed. 8, Ch. 18, 6)


VI. International Capital Flows and the Link between Globalization & Growth

Recommended Readings: Mankiw (Ed. 7, Ch. 12 or Ed. 8, Ch. 13)

Topics: The Mundell-Flemming model: IS-LM in an open economy, Balance of payment crises. Krugman’s and Melitz’s models of international trade: Competition as the link between globalization and growth.

VII. Midterm Exam

VIII. Case Discussion of the U.S. Financial Crisis, Government Debt Buildup

Recommended Readings: Mankiw (Ed. 7, Ch. 16, 19 or Ed. 8, Ch. 19, 20)


IX. Long Run Growth: Institutions, Productivity, Macro-Management

Recommended Readings: Mankiw (Ed. 7, Ch. 8 or Ed. 8, Ch. 9)


X. Investment-Case Presentations