University of California, Berkeley
Haas School of Business

EW MBA 201B: Macroeconomics in the Global Economy
Spring 2015

Professor: Pierre-Olivier Gourinchas
Office: Room: TBA
Email: Email: TBA
Office hours: Wednesday: 1:30-3:00
Make an appointment

Course goal:
Macroeconomic events shape business conditions, markets, and societies. Powerful global economic forces profoundly influence markets for goods, services, labor, capital, and technology. Understanding these global macroeconomic conditions is critical in formulating appropriate personal and corporate strategies—and for avoiding horrendous mistakes! The goal of this course is to help you understand the workings of the global economy and the main factors that determine the financial health of corporations and nations. We will consider a range of questions such as what makes countries rich; how does technology affect the economy; what is the role of trade in influencing national wealth and corporate performance; what are the determinants of exchange rates and inflation; why do business cycles occur; what are the principles and motivation underlying monetary and fiscal policy; what causes financial crises?

Taking this course should make you ‘a sophisticated consumer’ of macroeconomics. You will learn to recognize and construct logical economic arguments, read macroeconomic reports, and understand when and why governments make important policy decisions such as a change in the target interest rate or a change in fiscal policy. The aim is to provide a set of general skills portable across a range of industries, professions, and countries, which will make it possible to understand the forces that will dominate the domestic and global business environment in the immediate future as well as over years to come.

Lecture Schedule:
1A: W 6-9:30pm (F320)
2A: Th 6-9:30pm except Tu 01/29 6-9:30pm (F320)

Required Textbook:

This book should be used both as a background reading before class and as an extension to some of the materials presented in class. Lectures might deviate from the textbook. In some chapters, the material of the textbook is too technical. In these cases, reading the book should not be considered as required and it should only be done if you are not afraid of mathematics and you want to explore a more formal approach to the topic. In some other cases, the lectures will deviate from the textbook because I find the coverage of the book insufficient.

Website:
bCourses will be used to disseminate material, including problem sets, answers to problem sets, cases, lecture notes as necessary, etc…. This will be a “live” document, updated throughout the course as needed.

Mid-term:
Week of January 28\textsuperscript{th} (short and in class)

Final:

March 11\textsuperscript{th} (1A) and March 12\textsuperscript{th} (2A) 6-9pm (Room TBA)

Daily Organization:

- **Packets:** At the start of class, I will provide a packet containing:
  1. Lecture notes for that day’s class.
  2. Details on what you need to prepare before the start of the next class, including (but not limited to) problems sets. These packets are also available on bCourses.
- **Open Floor:** To encourage you to use what you learn in the classroom, the opening 10 minutes of each lecture will be open for you to ask whatever questions about current economic issues you wish (I may even answer some of them...). To prepare for this, I expect you to read those parts of the *Financial Times* (or a business newspaper of similar quality) necessary for becoming familiar with major macroeconomic events and come to class prepared with one question to which you will have given a bit of thought. I also encourage you to read regularly the postings of numerous economists at [http://www.woeoe.org/](http://www.woeoe.org/) These are usually enlightening comments that use economic theory to discuss current events.
- **Interactive/Cold-calling/Lectures:** I ask many questions, sometimes calling on specific students, sometimes posing questions to the class for voluntary responses. Questions/comments that enhance the class are welcome. Witty heckling of the professor, victimless humor, literary and political allusions, and insightful correct answers are all encouraged and will be suitably rewarded.
- **Halftime:** There is a 45 minutes break at halftime, roughly between 7:30 and 8:15pm. Besides a useful time to stretch, grab a bite, use the facilities, work in groups or ask questions, halftime is a great time to check emails, texts, and phone messages related to job interviews, so we can focus on class during class time.

Assessment:

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<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>20%</td>
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<tr>
<td>Mid-Term</td>
<td>20%</td>
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<tr>
<td>Cases</td>
<td>30%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>30%</td>
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Class Attendance:

Class attendance is required. If an absence is required, students should e-mail the instructor in advance.

Oral Participation:

Oral grades will be allocated on the basis of quality and quantity of participation. Students are also required to use name cards and to sit in the same seat throughout the semester. Students are allowed to opt out of attending (and/or answering cold calls) for one or two sessions without cost, upon appropriate application to the instructor. Students who are uncomfortable answering cold calls after a few weeks should speak to me.

Problem Sets:

I will distributed problem sets regularly. These are not graded and the answers will be posted on bCourses. The purpose of the problem sets is to help you assess whether you understand the material and whether you can apply macroeconomics to different global economic situations. The problems also help assess whether you are learning what you need to know for the exams.

Group Cases:

Two cases will be distributed in class and made available on bCourses. A write-up of no more than 7 word-processed pages can draw mostly or wholly on the case materials, but you’re also allowed to draw on material you find yourself and on data sources listed on bCourses. The due dates for the two cases are listed below:

- **Case 1:** due the week of Feb. 16 at the end of class
- **Case 2:** due the week of Mar. 2 at the end of class
Mid-Term & Final Exam:

The Mid-term and Final exams are open books. The mid-term will only take a small proportion of class: 20 minutes and will involve primarily short-answer and fill-in the blank type questions. The Final exam will have longer answers and will reflect the types of questions posed on the problem sets.

Professionalism:

We want an environment that supports learning, and encourages the exchange of pertinent ideas. We want to avoid behaviors that adversely affect our class.

Please do not arrive late (including after halftime), leave early (including for halftime), or walk in and out during class. While violating these norms will hurt your participation grade and involve a penalty to your exam score too, the big issue is respecting your colleagues.

Laptop and electronic device policy. A mutually supportive learning environment depends on active attention and engagement. For this reason, no use of laptops, tablets, cell phones, or any other electronic device is allowed during class time.

About Me:

I am Professor of Economics at the Haas School of Business and the Economics Department. I grew up in France, attended Ecole Polytechnique as an undergraduate, and received my PhD in Economics from MIT. I taught at Stanford Graduate School of Business and Princeton University before joining UC Berkeley department of economics in 2003. I have also taught MBA students at INSEAD and the London Business School. I am editor of the IMF Economic Review, I consult regularly with the IMF, the European Central Bank and the San Francisco Federal Reserve. In 2012-2013, I was a member of the French Council of Economic Advisors to the French Prime Minister. I am the laureate of the 2007 Bernácer Prize for best European economist working in macroeconomics and finance under the age of 40. My recent research focuses on the Eurozone crisis, the optimal conduct of monetary and macro-prudential policies in a currency union, the determinants of global reserve currencies and of the demand for global safe assets.

Class Schedule:

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Main Topic</th>
<th>Read Chapters</th>
<th>Additional</th>
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<tbody>
<tr>
<td>1</td>
<td>Jan 7/8</td>
<td>Income</td>
<td>1 pp3-7, 2 pp17-36, 3</td>
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<tr>
<td>2</td>
<td>Jan 14/15</td>
<td>Growth</td>
<td>8 &amp; 9</td>
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<td>3</td>
<td>Jan 21/22</td>
<td>Labor Markets &amp; Money</td>
<td>4, 5 &amp; 7</td>
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<td>4</td>
<td>Jan 27/28</td>
<td>Exchange Rates</td>
<td>6</td>
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<td>5</td>
<td>Feb 4/5</td>
<td>Business Cycles and Multipliers</td>
<td>10, 11-1</td>
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<td>6</td>
<td>Feb 11/12</td>
<td>Business Cycles and Financial Markets</td>
<td>11-2, 12</td>
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<td>7</td>
<td>Feb 18/19</td>
<td>Open Economy</td>
<td>13</td>
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<td>8</td>
<td>Feb 25/26</td>
<td>Stabilization Policies</td>
<td>14, 18 &amp; 19</td>
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<td>9</td>
<td>Mar 3/4</td>
<td>Crises</td>
<td>20</td>
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Date Details