Global Economic Trends and Policy Challenges (GB.2358.30)

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(Preliminary Version)

Gian Luca Clementi

Office: KMC 7–71
Email: gclement@stern

Office Hours: By appointment

Class meets: Tuesdays, 6:00–9:00,

Course Description

The main purpose of this class is to study in detail a small set of global economic trends and the policy challenges that they entail. The list of topics can be found at the bottom of this document.

Just to make sure: This is an economics class. If you did not enjoy “Firms and Markets” and “Global Economy,” this class is not for you. On the other end, if you got a kick out of those classes, you'll have plenty of fun with this one as well.

This course will give you the opportunity to familiarize yourself with some of the most important trends that will affect the global economy during your lifetime. To the extent that understanding and being comfortable discussing such trends is a necessary condition to become a business leader, you should regard this class as a stepping stone towards the next phase of your professional career.

The Latest Research Straight To The Classroom

At Stern we strive to bring the latest research straight to the classroom. This class is no exception. The discussion of every topic will be shaped by the most recent empirical and theoretical research. Every session will start with the illustration of the most recent available data. The analysis that follows will be guided by standard economic methodology, with particular emphasis on the role of individual incentives.
Prerequisites

The class is going to be challenging and will require a substantial amount of work. Your proficiency will depend in part on your knowledge of elementary but important notions of economics, statistics, and mathematics.

Help

There may be times when you will need a little help. If this happens, I strongly encourage you to come to see me. If you email me, I'll try my best to get back to you by the end of the day.

Course Materials

The course materials consist of:

- Readings. I will assign readings drawn from blogs, general–interest publications, business press, and academic journals.

- Slides. I will distribute them on the day I show them in class. After that, they will be available for download from Blackboard. Notice that, by definition, slides are not self–contained. I distribute them with the purpose of reducing the time devoted to note–taking.

Coursework and Evaluation

- Class attendance and participation. Attendance is required. Your participation enhances both your and your classmates’ learning experience. You can participate both by asking some questions, and answering others. Your grade will be based on the quality (not quantity) of your contributions to class discussions.

- Final project. The final project consists of a plan for a new company that either (i) seizes a profit opportunity created by one of the economic trends we study in class or (ii) provides an efficient remedy to one or more of the costs associated with an economic trend. In the former case, the student proposes a complete business plan for a new product or service. In the latter, she/he provides a detailed plan for a non–profit venture, making a compelling case that his/her new method is the efficient way of abating the cost.
Your grade for the course will depend on your participation and on the quality of your final project, according to the following weighing scheme:

- **Class Participation**: 50%
- **Final Project**: 50%

**Honor Code**

At Stern we believe that honesty and integrity are necessary for a rewarding educational experience. These qualities form the basis for the strong trust among members of the community (students, faculty, and administrators) that is essential for educational excellence. The **Honor Code** requires each student to act with integrity in all academic activities and to hold his or her peers to the same standard.

We also hold ourselves to a high standard of professional behavior. Accordingly, lateness, using cell phones, holding private conversations, using your laptop for anything but note-taking, and indeed any behavior that disrupts me or your colleagues will be considered inappropriate. Repeated violations of this standard will affect your participation grade.

**Blackboard**

By now you are probably familiar with the course management software Blackboard. During the term, you will be able to use it to view all classes (I will post links to the streaming videos), download slides and readings, and send me anonymous feedback.

**Disability**

If you have a qualified disability and will require academic accommodation during this course, please contact the **Moses Center** for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend.

**Feedback**

Your feedback is very important to me. Your comments, suggestions, and critiques, on every aspect of the class, are welcome at any time during the term. You can address them to me in the form you prefer: in person, via the block leaders, by email, or by snail mail. Finally, by clicking on Blackboard’s button “Feedback,” you will be directed to a feedback form that allows you to send me your comments and suggestions in an anonymous fashion.
Topics

1. **Population Flows.** The distribution of population across countries and age classes varies continuously as a result of changes in birth rates and mortality rates. Here is a partial list of questions we will address:

   (a) Is world population going to keep growing? At what rate?
   (b) What are going to be the consequences of population growth on economic development and, more in general, people’s well-being?
   (c) Is the distribution of population across countries going to change in a dramatic fashion?
   (d) If yes, what are going to be the economic consequences of such change?
   (e) Will population keep aging?
   (f) What are going to be the consequences of aging on economic development and, more in general, people’s well-being?

2. **Migration.** The history of migration is the history of mankind, as men and women never stopped moving in search for better opportunities. Yet, in modern societies migration is often a contentious issue. We will try to answer these questions:

   (a) Are immigrants’ wages lower than those of natives?
   (b) Do immigrants’ wages increase faster than those of natives?
   (c) How do second-generation immigrants fare?
   (d) What’s the impact of immigration on the salary and employment of natives?
   (e) Are immigrants more likely than natives to be on welfare?
   (f) Do immigrants pay their way?

3. **Education.** Excellence in human capital is key in developing and retaining comparative advantage in the production of the most advanced products and services. It follows that in recent years media and policy-makers have dramatically increased their attention towards the education industry. Here is a partial list of objectives:

   (a) Quantify the role of education in economic development
   (b) Describe the different educational models implemented across the world
   (c) Compare their costs and outcomes
   (d) Critically consider the pros and cons of policy reform proposals
4. **Old Age Insurance.** Most advanced countries have established comprehensive Government-run old-age and disability insurance programs. In the United States, such programs are administered by the Social Security Administration. Among the questions that we will address are:

(a) How are social security benefits determined?  
(b) How is social security financed?  
(c) Is social security financially viable?  
(d) Are state and local insurance plan financially viable?

5. **Labor Market Policies.** In most advanced economies, governments have set up vast social programs targeted to the unemployed. The key challenge for these programs is to strike the right balance between insurance and incentives. With reference in particular to the United States, we will consider in details the following policies:

(a) Unemployment insurance  
(b) Job-search monitoring  
(c) Training  
(d) Wage subsidies

6. **Housing.** The recent global financial crisis has evidenced the crucial role played by the housing market in shaping aggregate outcomes. It has also shed light on the increasingly active role that most governments play in determining people’s incentives in both the supply and demand side of such market. Here is a partial list of objectives:

(a) Study the main determinants of the dynamics of housing prices  
(b) Discuss the society-wide economic value of ownership  
(c) Evaluate public policies related to housing, with special emphasis to (i) zoning, (ii) rent control, and (iii) incentives to home-ownership

7. **Congestion.** “Too many” people wishing to use a finite resource – a bridge, for example, or a tunnel – results in rationing. That is, somebody will be allowed to use the resource only with delay. We say that that resource suffers from congestion. The accelerating urbanization that characterizes most developing countries is responsible for the increasing number of resources that are congested. Here is a partial list of objectives:

(a) Describe and quantify the economic costs of congestion  
(b) Study the pros and cons of policies designed to reduce congestion, such as *congestion pricing*
8. Depletion of Natural Resources. Over the last two hundred years, economic development has led to an unprecedented use of natural resources, a good part of which are not renewable. Here is a partial list of objectives:

(a) Describe methodologies to attach an economic value to environmental damage

(b) Consider the likely impact of continued environmental damage on economic growth

(c) Illustrate mechanisms to efficiently allocate depletable resources. Among them, (i) pigouvian taxes, (ii) the trade of pollution rights, and (iii) the subsidization of “buy local goods” programs