



SCHOOL of INTERNATIONAL SERVICE

AMERICAN UNIVERSITY • WASHINGTON, DC

Understanding Global Economics and Markets

IRBC TRACK COURSE | SISG-774 | 3 CREDITS

Course and Asynchronous Material Developed by Prof. Arturo C. Porzecanski, PhD,
Distinguished Economist in Residence, School of International Service, American University

SYLLABUS

This course provides an understanding of the main economic forces that have driven the globalization process. It covers the fundamental facts, main lessons of experience, and leading principles of micro- and macroeconomics and the financial markets without recourse to unnecessary jargon, mathematics, or statistics. Topics include the role of markets and prices; the economics of businesses; features of labor markets; elements of financial and nonfinancial investments; essentials of money and banking; the economics of government finances; the principles behind international trade, finance, and income disparities; and the workings of the foreign exchange, stock, bond, and other financial markets.

Learning Objectives and Outcomes

The learning objectives of this course are twofold: First, to enhance economic literacy by exposing students to how economists approach and analyze facts, situations, and dilemmas; the lessons of experience that can be derived from how market forces versus command economies allocate scarce resources and deal with other societal issues; and how economists evaluate policy interventions not by their good intentions but by their impacts given the constructive or perverse incentives they generate. Second, to enhance financial literacy by exposing students to the workings of financial markets and by becoming acquainted with the essential facts, vocabulary, instruments, and purposes of the currency, money, bond, stock, futures, options, and derivative markets.

The learning outcomes are to provide students with a new way of thinking about economic reality, differentiating between outcomes from the interplay of market forces and outcomes from successful or failed policy interventions; and to enable students to follow, develop, and possibly express views about what the future might bring via movements in the financial markets.

Grading

The course requirements involve, first, class attendance and participation (synchronous and asynchronous content), which count for 10% of the final score. The synchronous sessions are a crucial component of every class in the MIS degree, and consequently, your attendance is mandatory. You will not receive credit for this course unless you can regularly participate in

these sessions for the entire class period. One excused absence per course is permitted if arranged in advance with the session instructor and made up by either participating in another synchronous session or viewing the recording of the synchronous section that was missed, at the discretion of the instructor. Class participation involves answering thoughtfully the questions raised in the asynchronous lectures, as well as contributing to the discussions that take place in the synchronous class meetings.

The second course requirement is the completion of three short essay assignments and a semester-long assignment involving exchange rates. The three essays count for a total of 25% of the final score (5% for the first and 10% each for the second and third essays). The semester-long assignment counts for 15% of the final score. The respective assessment rubrics for these essays and the assignment are listed at the end of this syllabus.

The third course requirement is the completion of midterm and final examinations in multiple-choice and short-essay format, to be taken within 72 hours of the conclusion of the Week 5 and Week 10 live sessions. Each of the exams will count for 25% of the final score. The final exam is not cumulative. Both exams will be timed and will ask questions about the textbook chapters, required readings, and embedded lectures and third-party videos.

Summary of Grading Weights	
Essay 1: 5%	Assignment: 15%
Essay 2: 10%	Midterm exam: 25%
Essay 3: 10%	Final exam: 25%
Class attendance and participation: 10%	

The final grade distribution will be curved to reflect the performance of the class. Top-scoring students will be eligible for an A or A- letter grade; students scoring closer to the mean/median will be assigned a grade in the B+ to B- range; and those scoring substantially below the mean/median will get a lesser final grade (e.g., C+ or C).

You are expected to abide by the university's Academic Integrity Code (see more on this below), which can be found at <http://www.american.edu/academics/integrity/>

Required Readings

The course makes extensive use of two **required** textbooks:

Sowell, T. (2015). *Basic economics: A common sense guide to the economy* [hereafter, BE] (5th ed.). New York, NY: Basic Books. ISBN: 978-0465060733.
<https://www.hachettebookgroup.com/titles/thomas-sowell/basic-economics/9780465060733/>.
Supplementary materials provided: *Basic economics: A common sense guide to the economy* sources and *Basic economics: A common sense guide to the economy* questions.

Levinson, M. (2018). *The Economist guide to financial markets: Why they exist and how they work* [hereafter, GFM] (7th ed.). London, UK: The Economist Group. ISBN: 978-1610399890.
<https://shop.economist.com/products/guide-to-financial-markets-by-marc-levinson-7th-edition>

The course also includes a number of **required** supplementary readings, duly noted below:

Week 1 | Prices and Markets

- 1.1 What Is Economics? (BE chap. 1, pp. 1–7)
- 1.2 The Role of Prices (BE chap. 2, pp. 11–36)
- 1.3 Price Controls (BE chap. 3, pp. 37–63)
- 1.4 An Overview of Prices (BE chap. 4, pp. 64–85)
- 1.5 Required Readings: (1) “Supply and Demand: Why Markets Tick”; (2) “New Picture of Rent Burden on Tenants in Stabilized Apartments”; (3) “Rent Control Is Making a Comeback. But Is That a Good Idea?”

Essay 1 (Short Basic Concept Demonstration) is due 24 hours before the start of the Week 2 live session.

Week 2 | Markets and Business

- 2.1 Myths About Markets (BE chap. 24, pp. 569–583)
- 2.2 “Non-Economic” Values (BE chap. 25, pp. 584–596)
- 2.3 The Rise and Fall of Businesses (BE chap. 5, pp. 89–108)
- 2.4 The Role of Profits and Losses (BE chap. 6, pp. 109–138)
- 2.5 Required Reading: (1) “When Creative Destruction Visited the Mom-and-Pops”; (2) “The Best Place for a New Warehouse? An Old Mall”; (3) “Vietnam’s First Female Billionaire Pilots Budget Airline Past State-Owned Rival”

Week 3 | Business and Labor

- 3.1 The Economics of Big Business (BE chap. 7, pp. 139–153)
- 3.2 Regulation and Antitrust Laws (BE chap. 8, pp. 154–176)
- 3.3 Market and Nonmarket Economies (BE chap. 9, pp. 177–189)
- 3.4 Productivity and Pay (BE chap. 10, pp. 193–219)
- 3.5 Minimum-Wage Laws (BE chap. 11, pp. 220–233)
- 3.6 Special Problems in Labor Markets (BE chap. 12, pp. 234–265)
- 3.7 Required Readings: (1) “Behind Rising Inequality: More Unequal Companies”; (2) “China Struggles to Shake Up Salt Monopoly”; (3) “The Federal Marching Band of Music Regulators”; (4) “Why Wages Are Finally Rising 10 Years After the Recession”; (5) “Exposing the Minimum Wage Fallacy”; (6) “How Many Jobs Would the \$15 Minimum Wage Kill?”

Essay 2 (Short Writing Assignment: Microeconomics) is due 24 hours before the start of the Week 4 live session.

Week 4 | Time, Risk, and GDP

- 4.1 Investment (BE chap. 13, pp. 269–301)
- 4.2 Stocks, Bonds, and Insurance (BE chap. 14, pp. 302–327)
- 4.3 Special Problems of Time and Risk (BE chap. 15, pp. 328–342)
- 4.4 National Output (BE chap. 16, pp. 345–362)
- 4.5 Required Readings: (1) “Income, Value and Growth Stocks”; (2) “Doing Business 2019”; (3) “The Government’s Hidden Housing Subsidy for the Rich”; (4) “Gross Domestic Product: An Economy’s All”; (5) “The Secrets of Success”; (6) “Time Stands Still at Fabled Indian Watch Factory”; (7) “Closing Efficiency Gaps Means Big Gains for Public Investment”

Week 5 | Money, Banking, and Fiscal Policy

5.1 Money and the Banking System (BE chap. 17, pp. 363–391)

5.2 Government Functions (BE chap. 18, pp. 393–422)

5.3 Government Finance (BE chap. 19, pp. 423–453)

5.4 Special Problems in the International Economy (BE chap. 20, pp. 454–471)

5.5 Required Readings: (1) “Banks: At the Heart of the Matter”; (2) “Hidden in Plain Sight: What Really Caused the World’s Worst Financial Crisis”; (3) “Examples of Grand Corruption”; (4) “Why We Need Broken Windows Policing”; (5) “Externalities: Prices Do Not Capture All Costs”; (6) “Taxes in Practice”

MIDTERM EXAMINATION (covering Weeks 1–5, to be taken within 72 hours of the conclusion of the Week 5 session)

You have 110 minutes to complete this exam. You are not allowed to use your books or notes. Your section faculty will provide you with a password in order to access the exam.

The exam includes multiple-choice questions (1 point each); short, essay-type questions with answers limited to 100 words (2 points each); and short, essay-type questions with answers limited to 200 words (3 points each). In total, up to 43 points may be earned, and since the total time allotted for taking the exam is 110 minutes, you should allow no more than 3 minutes per point, on average.

Week 6 | The International Economy, Part 1

6.1 International Trade (BE chap. 21, pp. 475–500)

6.2 Required Readings: (1) “International Trade: Commerce Among Nations”; (2) “Tariffs Hit Poor Americans Hardest”; (3) “New China Tariffs Increase Costs to U.S. Households”; (4) “Show Them the Money”; (5) “Current Account Deficits: Is There a Problem?”

Week 7 | The International Economy, Part 2

7.1 International Transfers of Wealth (BE chap. 22, pp. 501–526)

7.2 International Disparities in Wealth (BE chap. 23, pp. 527–566)

7.3 Required Readings: (1) “Show Them the Money”; (2) “Current Account Deficits: Is There a Problem?”; (3) “Exchange Arrangements 2018”; (4) “Causes and Consequences of Income Inequality: A Global Perspective”

Essay 3 (Short Writing Assignment: Macroeconomics) is due 24 hours before the start of the Week 8 live session.

Week 8 | Foreign Exchange, Money, and Bond Markets

8.1 Foreign Exchange Markets (GFM chap. 2, pp. 17–43)

8.2 Money Markets (GFM chap. 3, pp. 44–68)

8.3 Bond Markets (GFM chap. 4, pp. 69–110)

8.4 Required Readings: (1) “Leverage as High as 50-1 Lures OTC Forex Traders Who Mostly Lose”; (2) “SEC’s Long Path to Money Market Fund Reform Ends in Compromise”; (3) “Risks of Fixed Income Investing”; (4) “Bond Prices, Rates and Yields”; (5) “Interest Rate Drivers”; (6) “What Are Mortgage-Backed Securities?”

Optional Readings

Article: “Everything You Need to Know About Bonds”

Website: Online Foreign Exchange Training Guide,
https://www.nfa.futures.org/forex_training/content/coverpage.htm

Week 9 | International Fixed-Income Markets and Equity Markets

9.1 Securitization (GFM chap. 5, pp. 111–136)

9.2 International Fixed-Income Markets (GFM chap. 6, pp. 137–153)

9.3 Equity Markets (GFM chap. 7, pp. 154–196)

9.4 Required Readings: (1) “Understanding Market Capitalization”; (2) “Understanding American Depositary Receipts”; (3) “How ETFs Are Different Than Stocks”; (4) “Five Bedrock Principles for Investors”

Week 10 | Futures, Options, and Derivatives Markets

10.1 Futures and Options Markets (GFM chap. 8, pp. 197–253)

10.2 Derivatives Markets (GFM chap. 9, pp. 253–274)

10.3 Required Readings: (1) “Commodity-Based ETFs”; (2) “Introduction to Options”; (3) “For Investors, ‘Portfolio Insurance’ Against Market Declines”

Optional Reading

Article: “Scams and Swindles”

Assignment (Exchange-Rate Semester Analysis Assignment) is due 24 hours before the start of the Week 10 live session.

FINAL EXAMINATION (covering Weeks 6–10, to be taken within 72 hours of the conclusion of the Week 10 session)

You have 90 minutes to complete this exam. You are not allowed to use your books or notes. Your section faculty will provide you with a password in order to access the exam.

The exam includes multiple-choice questions (1 point each); short, essay-type questions with answers limited to 100 words (2 points each); and short, essay-type questions with answers limited to 200 words (3 points each). In total, up to 32 points may be earned, and since the total time allotted for taking the exam is 90 minutes, you should allow no more than 3 minutes per point, on average.

University Information

Academic Support and Access Center: In addition to using the resources available in this course’s department, all students may take advantage of individual academic counseling, skills workshops, tutor referrals, supplemental instruction, and writing appointments in the Academic Support and Access Center, (202) 885-3360, Mary Graydon Center (MGC) 243. If you wish to receive accommodations for a disability, please notify me with a letter from the Academic Support and Access Center. As accommodations are not retroactive, timely notification at the beginning of the semester, if possible, is requested.

Counseling Center: The Counseling Center offers counseling and consultations regarding personal concerns, self-help information, and connections to off-campus mental health resources. (202) 885-3500, MGC 214.

Writing Center: The Writing Center offers free, individual coaching sessions to all AU students. In your 45-minute session, a student writing consultant can help you address assignments, understand the conventions of academic writing, and learn how to revise and edit your own work. The center offers appointments on the hour from 11 a.m. to 9 p.m., Monday through Thursday; 11 a.m. to 4 p.m., Friday; and 3 p.m. to 6 p.m. on Sundays. Call or go to the Writing Lab scheduling website to arrange a session. (202) 885-2991, Bender Library off 1st Floor.

Center for Diversity and Inclusion: The Center for Diversity and Inclusion is dedicated to enhancing LGBTQ, multicultural, first-generation, and women's experiences on campus and to advance AU's commitment to respecting and valuing diversity by serving as a resource and liaison to students, staff, and faculty on issues of equity through education, outreach, and advocacy. In addition to visiting in person or calling, the center can be reached via e-mail at cdi@american.edu. (202) 885-3651, MGC 201 and 202.

Dean of Students Office: The Dean of Students (DOS) Office offers one-on-one meetings to discuss academic, adjustment and personal issues that may be interfering with a student's ability to succeed academically. The DOS Office also verifies documentation for students who have medical or mental health issues that cause them to be absent from class. (202) 885-3300, Butler Pavilion 208.

Emergency Preparedness for Disruption of Classes: In the event of an emergency, American University will implement a plan for meeting the needs of all members of the university community. Should the university be required to close for a period of time, we are committed to ensuring that all aspects of our educational programs will be delivered to our students. These may include altering and extending the duration of the traditional term schedule to complete essential instruction in the traditional format and/or use of distance instructional methods. Specific strategies will vary from class to class, depending on the format of the course and the timing of the emergency. Faculty will communicate class-specific information to students via AU e-mail and Blackboard, while students must inform their faculty immediately of any absence. Students are responsible for checking their AU e-mail regularly and keeping themselves informed of emergencies. In the event of an emergency, students should refer to the AU Student Portal, the AU website for Emergency Preparedness and the AU information line at (202) 885-1100, prepared@american.edu for general university-wide information, as well as contact their faculty and/or respective dean's office for course and school/college-specific information.

Academic Integrity Code: Standards of academic conduct are governed by the university's Academic Integrity Code. By enrolling in the university and registering for this course, you acknowledge your familiarity with the code and pledge to abide by it. All suspected violations of the code will be immediately referred to the Office of the Dean. Disciplinary action, including failure for the course, suspension, or dismissal, may result. Additional information about the code (e.g., acceptable forms of collaboration, definitions of plagiarism, use of sources including the Internet, and the adjudication process) can be found in a number of places, including the university's *Academic Regulations*, *Student Handbook*, and Academic Integrity Code website. If you have any questions about academic integrity or standards of conduct in this course, please

discuss them with your instructor.

Grading Rubrics

The respective assessment rubrics for the essays and the assignment are the following:

Essay 1 (Short Basic Concept Demonstration, 5 points)

Objective	1	2	3	4	5
Economic concept understanding is clearly described and demonstrated	Inadequate description and demonstration	Barely adequate description and demonstration	Basic description and demonstration	Competent description and demonstration	Excellent description and demonstration

Essays 2 and 3 (Short Writing Assignment: Micro/Macroeconomics, 10 points each)

Objective	1-2	3-4	5-6	7-8	9-10
Economic concepts are described clearly	Minimum understanding of economic concepts	Limited understanding of economic concepts	Fair understanding of economic concepts	Competent understanding of economic concepts	Excellent understanding of economic concepts
Logical consistency of arguments	Facts used inappropriately or ineffectively; arguments based purely on opinions; no citations of facts or other evidence	Facts used somewhat appropriately or effectively; arguments based mostly on opinions; some citations of facts or other evidence	Facts used appropriately or effectively; arguments based mostly on facts or other evidence, rather than opinions	Facts used appropriately <i>and</i> effectively; arguments based mostly on facts or other evidence	Facts used appropriately <i>and</i> effectively; persuasive arguments based on facts or other evidence
Relevance of economic analysis	No or irrelevant economic analysis	Little relevant economic analysis	Some economic analysis	Competent economic analysis	Excellent economic analysis
Overall economic reasoning	Seriously defective economic reasoning	Shortcomings in economic reasoning	Fair economic reasoning	Competent economic reasoning	Excellent economic reasoning
Good English writing	Poor writing, paragraph structure, punctuation, and citations	Limited writing, paragraph structure, punctuation, and citations	Fair writing, paragraph structure, punctuation, and citations	Competent writing, paragraph structure, punctuation, and citations	Excellent writing, paragraph structure, punctuation, and citations

Assignment (Exchange Rate Semester Analysis, 15 points)

Objective	1-3	4-6	7-9	10-12	13-15
Understanding of foreign exchange	Minimal understanding	Limited understanding	Fair understanding	Competent understanding	Excellent understanding
Analysis of the market	Minimal market analysis, e.g., did not cite accurate events impacting the market, engage events in the market, or mention market data and information or relevant sources	Limited market analysis, e.g., facts used somewhat appropriately or effectively; mostly opinions to support arguments; limited evidence or knowledge of facts upon which to base arguments	Fair market analysis, e.g., stating arguments that are factual but unsubstantial or hardly relevant	Competent market analysis, e.g., stating logical arguments that are factual, fairly substantial, address most of the relevant issues	Excellent market analysis, e.g., stating logical arguments that are factual, very substantial, address all the relevant issues

Relevance of conclusions	Minimal relevance of economic analysis to topic	Limited relevance of economic analysis to topic	Fair relevance of economic analysis to chosen topic	Competent relevance of economic analysis to chosen topic	Excellent relevance of economic analysis to chosen topic
Overall economic reasoning	Seriously defective economic reasoning	Shortcomings in economic reasoning	Fair economic reasoning	Competent economic reasoning	Excellent economic reasoning
Good English writing	Poor writing, paragraph structure, punctuation, and citations	Limited writing, paragraph structure, punctuation, and citations	Fair writing, paragraph structure, punctuation, and citations	Competent writing, paragraph structure, punctuation, and citations	Excellent writing, paragraph structure, punctuation, and citations