



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,
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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: (1) 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; (2) to enhance financial literacy by exposing students to the workings of financial markets and by acquainting them 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 first course requirement is class attendance and participation (synchronous and asynchronous content), which count for 10 percent of the final score. The synchronous sessions are a crucial component of every class in the IRB 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 session 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 due before the start of the week 2, 4, and 8 live sessions, respectively, and a semester-long assignment involving exchange rates, due before the start of the week 10 live session. The three essays count for a total of 25 percent of the final score (5 percent for the first and 10 percent each for the second and third essays). The semester-long assignment counts for 15 percent 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, respectively. Each of the exams will count for 25 percent 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, Thomas. 2015. *Basic Economics: A Common Sense Guide to the Economy*. 5th ed. New York: Basic Books. ISBN: 9780465060733.

<https://www.hachettebookgroup.com/titles/thomas-sowell/basic-economics/9780465060733>

[Hereafter BE]

Supplementary materials provided:

Basic Economics: A Common Sense Guide to the Economy Sources

Basic Economics: A Common Sense Guide to the Economy, Questions

Levinson, Marc. 2018. *Guide to Financial Markets: Why They Exist and How They Work*. 7th ed. New York: PublicAffairs/The Economist. ISBN: 9781610399890.

<https://shop.economist.com/products/guide-to-financial-markets-by-marc-levinson-7th-edition> **[Hereafter GFM]**

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

Week 1 | Prices and Markets

What Is Economics? (BE, chapter 1, 1–7)

The Role of Prices, Parts I and II (BE, chapter 2, 11–36)

Price Controls, Parts I and II (BE, chapter 3, 37–63)

Implications of Prices, Parts I and II (BE, chapter 4, 64–85)

Other Required Readings: (1) “Happy 90th Birthday to Thomas Sowell”; (2) “Supply and Demand: Why Markets Tick”; (3) “Rent Laws’ Impact: Tenant Paradise or Return of the ‘Bronx Is Burning’?” (4) “How to Get a Big Break on the Cost of College: Just Ask”

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

Week 2 | Markets and Business

Myths about Markets, Parts I and II (BE, chapter 24, 569–583)

“Non-Economic” Values (BE, chapter 25, 584–596)

Adaptation to Social and Economic Changes (BE, chapter 5, 89–108)

Adaptation to Technological Changes and the Role of Leadership (BE, chapter 5, 89–108)

The Role of Profits and Losses (BE, chapter 6, 109–138)

Costs and Losses (BE, chapter 6, 109–138)

Other Required Readings: (1) “Venezuela’s Collapse Is the Worst Outside of War in Decades, Economists Say”; (2) “George Washington, Entrepreneur”; (3) “When Creative Destruction Visited the Mom-and-Pops”

Week 3 | Business and Labor

The Corporate Structure (BE, chapter 7, 139–153)

Monopolies, Oligopolies, and Cartels (BE, chapter 8, 154–176)

Regulatory Commissions (BE, chapter 8, 154–176)

Antitrust Legislation (BE, chapter 8, 154–176)

Market vs. Nonmarket Economies (BE, chapter 9, 177–189)

Pay Differences, Parts I and II (BE, chapter 10, 193–219)

Minimum Wage Laws (BE, chapter 11, 220–233)

Labor Market Issues (BE, chapter 12, 234–265)

Other Required Readings: (1) “China Struggles to Shake Up Salt Monopoly”; (2) “The Cubans: A More Profound Truth”; (3) “The Federal Marching Band of Music Regulators”; (4) “Exposing the Minimum Wage Fallacy”; (5) “How Many Jobs Would the \$15 Minimum Wage Kill?” (6) “Why Wages Are Finally Rising 10 Years after the Recession”

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

Week 4 | Time, Risk, and GDP

Investment, Parts I and II (BE, chapter 13, 269–301)

Stocks and Bonds (BE, chapter 14, 302–327)

Insurance (BE, chapter 14, 302–327)

Time and Risk (BE, chapter 15, 328–342)

GDP Measurement (BE, chapter 16, 345–362)

GDP Growth and Development (BE, chapter 16, 345–362)

Required Readings: (1) “Income, Value and Growth Stocks”; (2) “The Modern Food Miracle”; (3) “Tracking Burdensome Regulation”; (4) “Gross Domestic Product: An Economy’s All”; (5) “Closing Efficiency Gaps Means Big Gains for Public Investment”; (6) “The End of the Jaffa Orange Highlights Israel Economic Shift”; (7) “The Secrets of Success”; (8) “Time Stands Still at Fabled Indian Watch Factory”

Week 5 | Money, Banking, and Fiscal Policy

Money, Inflation, and Deflation (BE, chapter 17, 363–391)

The Banking System (BE, chapter 17, 363–391)

Government Functions, Parts 1 and 2 (BE, chapter 18, 393–422)

Government Revenues (BE, chapter 19, 423–453)

Government Expenditures and Debt Management (BE, chapter 20, 454–471)

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) “Externalities: Prices Do Not Capture All Costs”; (4) “Taxes in Practice”; (5) “Sweden’s Lessons for America”; (6) “Amtrak Blamed for Cost Overruns for New York’s Moynihan Station”; (7) “Hospitals Stand to Lose Billions under ‘Medicare for All’”; (8) “Coronavirus Lifts Government Debt to WWII Levels—Cutting It Won’t Be Easy”

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

You have 130 minutes to complete this exam. You are not allowed to use your books or notes. Your section faculty will provide you with a password to access the exam.

The exam includes multiple-choice questions (1 point each) and short, essay-type questions with answers limited to 100 words (2 points each).

In total, up to 39 points may be earned, and since the total time allotted for taking the exam is 130 minutes, you should allow no more than 3 minutes per point, on average.

Week 6 | The International Economy, Part I

The Basis for International Trade (BE, chapter 21, 475–500)

Consequences of Free Trade (BE, chapter 21, 475–500)

Trade Restrictions, Parts I and II (BE, chapter 21, 475–500)

Capital Flows, Parts I and II (BE, chapter 22, 501–526)

Migration and Worker Remittances (BE, chapter 22, 501–526)

Required Readings: (1) “International Trade: Commerce among Nations”; (2) “How Cashews Explain Globalization”; (3) “New China Tariffs Increase Costs to U.S. Households”; (4) “The Pandemic Adds Momentum to the Deglobalization Trend”; (5) “Current Account Deficits: Is There a Problem?”; (6) “Show Them the Money”

Week 7 | The International Economy, Part II

Evolution of the International Monetary System (BE, chapter 22, 523–526)

Natural Resources (BE, chapter 23, 527–566)

Cultures and Populations (BE, chapter 23, 527–566)

Poverty, Income and Wealth (BE, chapter 23, 527–566)

Promoting Social Mobility, Parts I and II (BE, chapter 23, 527–566)

Required Readings: (1) “Annual Report on Exchange Arrangements 2019”; (2) “For Eons, Iceland Has Endured Calamity through Books”; (3) “Sewer Cleaners Wanted in Pakistan: Only Christians Need Apply”; (4) “The World Is Becoming More Equal”; (5) “The U.S. Inequality Debate”; (6) “Covid-19 Is Dividing the American Worker”; (7) “Exploring Wealth Inequality”; (8) “How to Promote Social Mobility”

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

Week 8 | Foreign Exchange, Money, and Bond Markets

Foreign Exchange Markets, Parts 1 and 2 (GFM, chapter 2, 17–43)

Money Markets (GFM, chapter 3, 44–68)

Bond Markets, Parts I and II (GFM, chapter 4, 69–110)

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) “South Korean Retail Investors Hit by Plunge in Brazil’s Real”

Optional: Online Foreign Exchange Training Guide,

https://www.nfa.futures.org/forex_training/content/CoverPage.htm

Week 9 | International Fixed-Income Markets and Equity Markets

Securitization (GFM, chapter 5, 111–136)

International Fixed-Income Markets (GFM, chapter 6, 137–153)

Equity Markets, Parts 1 and 2 (GFM, chapter 7, 154–196)

Required Readings: (1) “What Are Mortgage-Backed Securities?” (2) “Understanding Market Capitalization”; (3) “Understanding American Depositary Receipts”; (4) “How ETFs Are Different Than Stocks”; (5) “Five Bedrock Principles for Investors”; (6) “This Fund Is Up 7,298% in 10 Years. You Don’t Want It.”

Assignment (Exchange Rate Semester Analysis) is due before the start of the week 10 live session.

Week 10 | Futures, Options, and Derivatives Markets

Futures and Options Markets, Part I (GFM, chapter 8, 197–253)

Futures and Options Markets, Part II (GFM, chapter 8, 197–253)

Futures and Options Markets, Part III (GFM, chapter 8, 197–253)

Derivatives Markets (GFM, chapter 9, 254–274)

Required Readings: (1) “Commodity-Based ETFs”; (2) “Introduction to Options”; (3) “The Big Short 2.0: How Hedge Funds Profited Off the Pain of Malls”; (4) “Robinhood Has Lured Young Traders, Sometimes with Devastating Results”

Optional: “Scams and Swindles”

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

You have 95 minutes to complete this exam. You are not allowed to use your books or notes. Your section faculty will provide you with a password to access the exam.

The exam includes multiple-choice questions (1 point each) and short, essay-type questions with answers limited to 100 words (2 points each).

In total, up to 28 points may be earned, and since the total time allotted for taking the exam is 95 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 forty-five-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 first 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 email 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 email and Blackboard, while students must inform their faculty immediately of any absence. Students are responsible for checking their AU email 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 as follows.

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