

**Department of International Business**

**Course Information:**

Course Title: Global Financial Environment

Course Number: IBUS 3101, Sections 10, 11, 12.

Semester: Spring 2021

Location: Remote Instruction (All sections)

**Course Description:**

The international economic, trade, and financial environment in which global business operates and how developments in these areas affect business activity. This course provides an international economics and finance perspective that complements IBUS 3001, Introduction to International Business.

**Professor:**

Ariel Weinberger, Assistant Professor of International Business

Email: aweinberger@gwu.edu

Office: Zoom (previously at office 401(E) Funger Hall.

Office Hours: Wednesdays between 9:30am – 12:30pm, (***By appointment only*** given virtual nature of office hours).

**Course Objectives:**

The basic objective of this course is to provide a foundation for students to assess international economic and financial developments as they affect corporate business activity. The course deals with both the theory and the practice of international trade and finance.

**Prerequisites:**

ECON 1011 Principles of Economics I

ECON 1012 Principles of Economics II

**Course Structure in the Virtual Environment (Spring 2021 Only):**

The class will be split between synchronous and asynchronous sessions.

* We will have regularly meetings for each section (as listed in the schedule of classes). However, these will be **mostly discussion and review** based, along with **in-class quizzes taken in groups**. Meetings will be shorter than scheduled: 50 minutes with 10-15 minutes used for a start of class quiz.
* Links to each lecture will be posted on **Blackboard** (go to “Live Zoom Meetings”)**.** In-class quizzes will also be done on Blackboard, so ***please make sure you are signed in to Blackboard when you attend lecture.***
* Before each scheduled lecture (about 36 hours in advance), ***I will post a video lecture of the material (on Blackboard) to be covered in class.*** These videos are **mandatory to watch before class**; they will include the material that I expect you to “learn” (what I would cover in normal in-person lectures), and of course know for the exams. Videos will be around 40 minutes. The synchronous meetings will be a way to re-hash this material, do examples, and have discussions in class.

**Online Meeting Expectations and Norms:**

* Please **begin with your microphone muted** and remain muted while the instructor or a fellow student are talking. Of course, you are encouraged to participate throughout lecture, and you will **unmute yourself to do so**.
* If connection allows, your **video should be on**, especially when you are talking. This will allow the instructor and the rest of the class to acknowledge non-verbal signs that we are used to in physical meetings.
* Proper etiquette is to use the “**raise hand**” option on Zoom when you would like to speak, and I ask that you mostly follow that norm and wait for me to call on you (there might be times when I wait for multiple people to raise their hands). However, during a discussion there might be times when the **conversation is flowing more openly** and raising your hand leads to unnecessary gaps in the conversation. I ask that you use your **judgement** for these occasions while respecting the rest of your classmates.
* I ask that you **speak verbally** in class as that allows for everyone to hear you and I might not be able to continuously check the chat. However, you may use the chat as a backchannel for questions and comments and to participate in activities.
* Please **be on time to lecture**, as we might go straight into breakout rooms for quizzes, etc.

**Course Materials:**

* Textbook for the course: Thomas Pugel, *International Economics*, 17th edition, McGraw-Hill, 2018. There might be multiple ways you can access this book, so please choose whichever is most comfortable for you.
* I request that you read a business newspaper such as ***The Financial Times*** or ***The Wall Street Journal***to keep up with current international business events. Both offer a **free** online subscription with your GW account information. Information on student subscriptions is available at [FT Sign up](https://www.ft.com/corp-signup/join?token=217803dc-4c20-4027-9fdd-74fad7760d3c) and [WSJ in GWU Libraries](https://library.gwu.edu/currentnews). Your exam *will include questions on major headlines that we might or might not have covered in class, so please scan the website a few times per week*. If you prefer, you can follow other newspapers such *Bloomberg* (the major news will be the same). However, notice that these will not necessarily be free to read.
* There will also be readings/podcasts/other media posted on Blackboard.
* You will also need a simple calculator, particularly for use on the exams. It does not need to be a financial calculator or programmable, but something that will relieve you from doing addition, subtraction, multiplication and division by hand.

**Evaluation:**

In accordance with University regulations, each student will receive a grade of A, B, C, D, or F (with + or – as appropriate). Grades will be based on two exams, in-class quizzes, a final team project (with in-class presentation), and class performance, according to the following point scale:

|  |  |  |
| --- | --- | --- |
| EXAM 1 | 100 POINTS | 25% |
| EXAM 2 | 120 POINTS | 30% |
| FINAL TEAM PROJECT / PRESENTATION | 80 POINTS | 20% |
| CLASS PARTICIPATION | 40 POINTS | 10% |
| CLASS QUIZZES | 60 POINTS | 15% |
| **TOTAL** | **400 POINTS** | **100.0%** |

* The exams will cover material contained in the lectures, class discussions, and assigned readings. Make-up exams for missed exams will be given only in extreme emergencies, so you must plan to take the exams at the stated dates and times.
* Every class meeting will start with a short quiz on the material covered in the lecture video and possibly the required readings. Therefore, ***please show up on time to have enough time to complete the quiz.***  I will use break out rooms to allow you to take the quizzes in a group of 4. I will drop the lowest 2 quiz scores at the end of the semester.
* A part of learning in this class comes from applying the concepts through discussion and active participation in the class. To receive a high grade in participation, your participation must be frequent and of high quality making substantive contributions to our discussion. A high-quality comment may make an insightful point, make a connection among points that others have made, raise an issue or perspective that hasn’t yet been considered, or challenge a point that is not being examined closely because it is either assumed or accepted as clear consensus.

Furthermore, we will use the *SLACK app* to maintain discussions out of class on readings and current events. You are expected to contribute to discussions, which we will then bring into the classroom. As an objective measure, I will expect each student to ***leave at least one message per week*** based on the reading (there is usually at least one reading due per lecture, so 2 separate readings per week). Remember that even if you do not post a comment for that specific readings, you are still expected to be prepared for in-class participation. All readings are liable to show up on exams and quizzes. I also recommend you to use the app for any other discussion on class-related topics and current events, and to post any readings you find interesting that I did not bring up during class.

To guide the discussions in class and on *SLACK*, **I will pose a couple questions** to you for each reading that is assigned.

I do understand that some students are not able to participate in live class given time zone differences from your home. If this is your case, ***please clear it by me at the beginning of the semester***. Your class participation criteria will be adjusted, and you will take quizzes outside of class. If you do not attend a live session, in addition to the above postings prior to the class session, you are required to post on an additional message in the app after watching the class session. This posting will be used in lieu of attendance and must be completed within a week of the class session. *After viewing the session* select a comment made in that session or on the discussion board by another participant and post a follow-up of why you agree or disagree with this statement.

* Although not graded, **you are encouraged to work problems at the end of each assigned chapter in order to prepare for the exams.** As part of the class assignments, some specific questions from each chapter are recommended. Answers to the odd-number problems are in the back of the text, and answers to assigned even-numbered problems will be posted on Blackboard. We may also go over some questions in class if time permits.
* For both exams and class discussion, **you must keep up with current events in international trade and finance.**
* The final project is a country profile delivered both as a written memorandum and an in-class briefing. Teams of four students -- assignments will be chosen in the first few weeks -- will work on a specific country to investigate and analyze the economic, trade, and financial regimes for a company thinking of doing business in the country. The assignment is about the country, not about any particular industry. The goal is to advice new foreign operations being considered by a well-established, large U.S. company.

The **memorandum requires a** **minimum of 4 pages and a maximum of 6 pages** (12-point font, one-inch margins, single-spaced with double space between paragraphs), and must be written as a memorandum from your team to your boss. You are able to include charts, pictures, and diagrams, but they must fit within the page limit (be very selective with these). This memorandum is due **Monday, April 12**. This will allow your boss to review the memorandum prior to the final briefing as preparation.

**The briefing for your boss on the work you’ve done will be approximately SIX MINUTES. Groups will create a voiceover/video presentation, outside of class, and submit the presentations by due Monday, April 19**. **The briefings will be scheduled for Tuesday, April 20 and Thursday, April 22**. The boss will ask questions after your presentation. All students will sit through the presentations of other teams, and will be able to ask questions if time permits.

More information on the final project is at the bottom of the syllabus.

**University policy on observance of religious holidays:**

In accordance with University policy, students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance. For details and policy, see: provost.gwu.edu/policies-procedures-and-guidelines.

**Academic Integrity Code:**

Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information. For details and complete code, see: [studentconduct.gwu.edu/code-academic-integrity](http://studentconduct.gwu.edu/code-academic-integrity)

**Preferred name and preferred gender pronouns:**

Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of any type such as race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructional team with the student’s legal name. We will gladly honor your request to address you by an alternate name or gender pronoun. Please advise us of this preference early in the semester so that we may make appropriate changes to our records.

**Oath of Honor:**

As a student of The George Washington University School of Business, I will lead with honor. I pledge always to uphold our community’s high standards of integrity and civility. In my personal, academic, and professional life, I will strive for excellence, respect all people, and work with others to have a positive impact on my communities and the world.

**Support for students outside the classroom**

**Disability Support Services (DSS)** 202-994-8250.

Any student who may need an accommodation based on the potential impact of a disability should contact Disability Support Services in Rome Hall, 801 22nd Street, NW, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information see: [disabilitysupport.gwu.edu](https://disabilitysupport.gwu.edu/).

**Counseling and Psychological Services** 202-994-5300

GW’s Colonial Health Center offers counseling and psychological services, supporting mental health and personal development by collaborating directly with students to overcome challenges and difficulties that may interfere with academic, emotional, and personal success. For additional information see healthcenter.gwu.edu/counseling-and-psychological-services.

**Safety and security**

In case of an emergency, if at all possible, the class should shelter in place. If your building is affected, follow the evacuation procedures and seek shelter at a predetermined rendezvous location. GW Alert is the university’s notification system that sends emergency text message and email alerts to the GW community. Students are requested to maintain current contact information by logging on to alert.gwu.edu. Download the GW Personal Alarm Locator (GW PAL), a mobile safety and security application that allows users to alert GWPD of a crime, report crime tips anonymously, provide a safety profile, and identify their location in real time. For more safety and security information and tips, visit safety.gwu.edu.

**Schedule of Classes (subject to change)**

|  |  |  |  |
| --- | --- | --- | --- |
| **DATE** | **TOPIC** | **Textbook Problems** | **READING DUE** |
| Tuesday, January 12 | Introduction and Overview |  | Professor Lecture |
| Thursday, January 14 | Ch 2: Partial Equilibrium Analysis of International Trade |  | “An unintended crisis: COVID-19 restrictions hit sea transportation,” *VoxEU policy blog.* |
| Tuesday, January 19 | Ch 2: Partial Equilibrium Analysis of International Trade (continued) | 3, 4, 8, 10, 13 | “What do Undergrads Need to Know about Trade?” *by Paul Krugman*  Chapter 2 |
| Thursday, January 21 | Ch 3: General Equilibrium Analysis of International Trade |  | “Autor on Trade,” *Econtalk* Podcast |
| Tuesday, January 26 | Ch 3: General Equilibrium Analysis of International Trade (continued) | 2, 4, 7, 8, 11 | “COVID-19: Trump’s curbs on exports of medical gear put Americans and others at risk,” *by PIIE*  Chapter 3 |
| Thursday, January 28 | Global Value Chains |  | “The Pandemic Isn’t Bringing Back Factory Jobs,” *by NYT*  Global Value Chains and the WTO,” *Dollar & Sense Podcast with Koopman*  Lecture notes/handout |
| Tuesday, February 2 | Ch 8: Trade Policies: Tariffs | 3, 4, 5, 11 | “Happy Tariffversary” *TradeTalks Podcast* |
| Thursday, February 4 | Ch 9: Trade Policies: Nontariff Barriers | 3, 5, 7 | “Airlines and Protectionism” *TradeTalks Podcast*  Chapter 8. Omit pgs 152-156 on optimal tariff. |
| Tuesday, February 9 | Trade Policies (continued) |  | “Britain’s Ports are Jammed and Brexit is around the Corner,” *NYT*  Chapter 9 (scattered parts-see lecture slides) |
| Thursday, February 11 | Ch 15: Multinationals |  |  |
| Tuesday, February 16 | Ch 15: Multinationals | 6, 7, 9, 10 | “How Tech Companies Dodge Taxes” *by ProPublica*  Chapter 15 (no immigration) |
| Thursday, February 18 | Ch 16: Balance of Payments |  | “Interview with Michael Pettis”, *Washington Post* |
| Tuesday, February 23 | Ch 16: Balance of Payments  (continued) | 1, 5, 7, 8, 9, 12 | “Trump Administration Clears way for New Currency Tariffs,” *Bloomberg*  Chapter 16 and Appendix E |
| Thursday, February 25 | Catch-Up and Review |  |  |
| Tuesday, Mar 2 | **EXAM 1** |  | Chs. 2, 3, 8, 9, 15,16. |
| Thursday, March 4 | Ch 17:Foreign Exchange Market |  | “Currency Manipulation,” *Trade Talks Podcast*  Chapter 17 |
| Tuesday, March 9 | Ch 17: Foreign Exchange Market  (continued) | 3, 7, 8, 9, 10 | “Global Dependency of the Dollar”  (Economist) |
| Thursday, March 11 | Ch 18: Forward Market and Covered Interest Rate Parity |  | Chapter 18, Omit pages 422-429  on empirical evidence. |
| March 15-20 | **Spring Break** | **Spring Break** | **Spring Break** |
| Tuesday, March 23 | Ch 18: International Financial Investment and Uncovered  Interest Rate Parity | 3, 4, 6, 7, 9, 11 | “How Freely Should Money Travel across Countries?” *Bloomberg*  Chapter 18 |
| Thursday, March 25 | Ch 19: Purchasing Power Parity |  | “What are Currency Swap Lines” *ECB* |
| Tuesday, March 30 | Ch 19: Purchasing Power Parity  (continued) | 2, 5, 7, 9, 11 | “The successes of the Fed’s dollar-swap lines,” *The Economist*  Chapter 19, omitting pages on ER prediction. |
| Thursday, April 1 | Ch 19: Exchange Rate Determination |  | Chapter 19, catch up, examples. |
| Tuesday, April 6 | Ch 20: Exchange Rate Regimes  (continued) |  | “How Capital Controls Work,” *The Economist Explains*  Chapter 20, focusing on  pages 464-480, |
| Thursday, April 8 | Ch 20: National and Global Choices: Floating Rates and the Alternatives | 6, 8, 9 | TBA – Current Events reading  Chapter 20 (some Ch 25) |
| Monday, April 12 | TERM PROJECT |  | **COUNTRY PROFILES DUE, by email to aweinberger@gwu.edu** |
| Tuesday, April 13 | Ch 21: International Lending (and Capital Flows) |  | “The Asian Financial Crisis” *by Wing Woo*  Chapter 21, focusing on pages 501-504, 508-537 |
| Thursday, April 15 | Catch-Up |  |  |
| Monday, April 19 |  |  | VIDEO PRESENTATIONS DUE  via e-mail to aweinberger@gwu.edu |
| Tuesday, April 20 | Final Team Project  Presentations |  |  |
| Thursday, April 22 | Final Team Project  Presentations |  |  |
| Tuesday, April 27 | Make up day/Review (we will meet) |  |  |
| FINALS WEEK | **EXAM 2** |  | Chs 16, 17, 18, 19, 20, 21 |

FINAL TEAM PROJECT / PRESENTATION

# MEMORANDUM

TO: Team

FROM: Ariel Weinberger

Executive Vice President of the U.S. Company

RE: Country Profile

The Company is beginning to investigate opportunities outside of the United States, and I would like you to prepare a country profile on XXXXXX. Currently, we don’t know whether we will want to export to XXXXXX, or possibly import from XXXXXX, but we are definitely considering an investment (likely direct, but possibly portfolio) in XXXXXX. We are looking at several possible locations, but I’m asking you to focus on XXXXXX for now and we will do some comparisons later. Please prepare a memorandum for me, and we will schedule a live briefing subsequently.1 Here are some things I want you to address, if you agree they are important:

What is the current economic situation in the country? Is the country growing? What are the current levels of interest rates and inflation? Has the country recently had any type of financial crisis (currency, banking, debt, etc.)? Is there any political situation affecting the economy?

What is the country’s trade regime like? Is the country in the WTO or involved in any trade

blocs that would help or hurt us? Does the United States have any particular trade issues with the country?

What is the situation with the country’s balance of payments (trade and current account balance, capital and financial account balance)? In particular, what is the country’s balance of payments vis-à-vis the U.S.?

What is the country’s exchange rate regime? Is the currency volatile? Do you think the currency might be overvalued or undervalued? Are there any currency controls? Are there forward contracts available so we would be able to hedge our cross-border transactions?

What is the country’s capital regime like vis-à-vis international transactions? Are there any capital controls? Would we be able to make an investment there, and repatriate our profits? Are there any important taxes on cross-border transactions that we need to know about? Does the country have a bilateral investment treaty (BIT) with the US?

Would you recommend that we consider operations in the country, or do you think doing business there would be unprofitable? Do you think it’s a good time to sell goods and services there, or possibly source goods and services there? Do you think we should make an investment there?

Have I forgotten anything? Is there anything else I should know about the country?

**Countries to pick from (12 total groups):**

Argentina

Brazil

Chile

China

Ethiopia

Ghana

India

Indonesia

Korea

Mexico

Poland

Russia

Senegal

Turkey

Vietnam

# RESOURCES

**Many items can be found from the A-Z listing of databases at: https://libguides.gwu.edu/az.php?**

**You should also check the library guides for international finance (https://libguides.gwu.edu/finance) and international marketing (https://libguides.gwu.edu/c.php?g=531731&p=3638085) and international economic statistics (https://libguides.gwu.edu/international\_economic).**

**Below are some basic sources.**

FOR COUNTRY INFORMATION

*Economist Intelligence Unit (A-Z listing)*

*Country Commercial Guides of the U.S. International Trade Administration*, https:[//w](http://www.export.gov/ccg)ww[.export.gov/ccg](http://www.export.gov/ccg)

FOR STATISTICS

*World Development Indicators* (A-Z listing), provided from World Bank

*International Financial Statistics Online* (A-Z listing), provided by the IMF

FOR MORE DETAILED TRADE INFORMATION

*National Trade Estimate Report on Foreign Trade Barriers of the USTR* <https://ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf>

*Direction of Trade Statistics* (A-Z listing)

FOR MORE DETAILED BALANCE OF PAYMENTS INFORMATION

*Direction of Trade Statistics* : <https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85>

*Balance of Payments and International Investment Positions from IMF:*

<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1542633711584>

FOR MORE DETAILED EXCHANGE RATE REGIME AND CAPITAL CONTROL INFORMATION

Annual report on exchange rate agreements and restrictions from the IMF

<https://www.imf.org/en/Publications/Annual-Report-on-Exchange-Arrangements-and-Exchange-Restrictions/Issues/2019/04/24/Annual-Report-on-Exchange-Arrangements-and-Exchange-Restrictions-2018-46162>

FOR BILATERAL INVESTMENT TREATIES: https://[www.state.gov/e/eb/ifd/bit/117402.htm](http://www.state.gov/e/eb/ifd/bit/117402.htm)