CORE COURSE OUTLINES

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The four sessions of finance cover related functions applicable to financial analysis, banking, financial instruments and derivative contracts.

Session One - Financial Analysis

The first session provides a perspective of analyzing the financial strengths and weaknesses of a for-profit firm. The analysis shows the importance of understanding the reliability of financial data and then highlights key ratios that affect value creation and bankruptcy.

Session Two – Banking

The second session explains factors that lead to bank failure and the implication for a country. The factors include: regulatory, economic, financial and managerial. The material emphasizes risk management from a capital and asset quality perspective. The session notes how ratios differ from companies examined in the first session.

Session Three - Financial Instruments

The third session illustrates the trends applicable to the issuance and structure of global securities. The material shows how to price financial instruments and emphasizes market risk (effective duration) and credit risk from both a country and company perspective. The analysis relates risk to bank investments covered in the second session.

Session Four - Derivative Contracts

The final session notes the large growth in derivative contracts and shows how interest rate swaps can be used to speculate, hedge risk and arbitrage instruments. The analysis includes marking to market swaps. The material emphasizes banking applications.

All four sessions include recent US and global case studies participants are expected to work on in class and as homework. Latin American implications and Brazilian illustrations are provided when relevant.
Michael Smith  
Professor of Economics  
School of Business and Public Management  
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Session One - Approaches to Development Economics: An Introduction

An introduction to the topics covered by the lectures, and an overview of development as a sub-field within economics. Topics covered are: Capital Fundamentalism (growth models), "Stages of Growth" (growth modeling), Empirical Structuralism (e.g., Kuznets, Chenery); Market Fundamentalism (e.g. Buchanan, Lal), and the modern coordination failures school; (Murphy-Schliefer-Vishny, Krugman, Banerjee-Newman, Kremer, etc.). Role of the State in development, consensus of the Santiago Summit.

Session Two – The Big Push

This session presents the modern development economics perspective developed over the past dozen years or so, of economic development issues as problems of coordination of investment and other economic behavior. In-depth look at the Murphy-Schliefer-Vishny model, discussion of other main ideas.

Session Three - Mechanisms of Growth.

Comparative analysis of countries' level of growth and development in historical perspective. Introduction to basic growth models (emphasis on lessons of the AK model). Role of human capital (education and health) in economic growth. The nature of productive ideas as a key source of growth, complementary with education; ideas as a special kind of economic good, partly private good and partly public good in character.

Session Four - Evidence on Growth.

In-depth look at the sources of growth, through an examination of the cross-country evidence. Special topics examined in depth, especially as the role of finance and trade openness (especially exporting) in growth.

Session Five - Distribution and Development.

Examines measures of poverty and inequality (and the important distinctions between these ideas), and the complex ways in which high inequality can slow the rate of growth.

Session Five - In-depth Analysis
In this session, students look at poverty policies: what works, what doesn't work, and why. Special emphasis on micro-credit programs (such as the FINCA and the Grameen Bank), and integrated health, nutrition, and income-generation programs (such as Progress in Mexico).
Session One – Introduction

Session one gives the students an overview of Macroeconomic questions and issues using models and variables. In this session, students become familiarized with the Circular Flow Model, the structure of the National Economy, National Product and Income, Unemployment, Inflation, Interest Rates, Exchange Rates and the Balance of Payments.

Session Two - Fundamental Building Blocks of The Economy

In session two Supply Side Foundations are analyzed. In addition, the instructor gives an overview of The Labor Market, The Aggregate Production and the AS Curve.

Session Three – Demand Side Foundations

In this session the group learns about household behavior, about consumption and saving patterns, government spending and saving, investment in capital goods, imports, exports and the role of exchange rates. This session also includes an overview of the AD Curve and of Macroeconomic Equilibrium.

Session Four – Long-Run Economic Performance.

This class is about the importance of examining Economic Growth, what it is, and the importance of having economic growth in a nation’s economy. The group also studies the determinants of economic growth, Intensive and Extensive Growth, as well as growth accounting. Other topics discussed in this session include:

  a) Malthusian Growth Theory
  b) Modern Growth Theory
  c) Government Policy and Economic Growth

Session Five - Short Run Economic Performance

Session five analyzes Cyclical Fluctuations in business cycle characteristics, theories of cyclical fluctuation, Macroeconomic Fluctuations in a Closed Economy, and Macroeconomic Fluctuations in an Open Economy.
Session Six - Macroeconomic Policies

During this session, students learn about policy goals and tools, about fiscal policy, including institutions of Fiscal Policy in Theory, and Fiscal Policy In Practice. Also in this session, monetary policy is reviewed, as well as:

a) Institutions of Monetary Policy
b) Monetary Policy in Theory
c) Monetary Policy In Practice
Session One - Introduction to International Economics

We introduce the concept of comparative advantage. We then discuss basic economic motivations for trade, including differences in technology, demand conditions, factor endowments, and returns to scale.

Session Two - Impact of Trade

Students are exposed to the domestic consequences of trade. Topics include the impact on the distribution of income, GNP, production, consumption, and wages. We turn to the determination of the international terms of trade, with a discussion of large versus small country roles in the international economy. Three case studies on US, Mexican and Chinese wages are discussed.

Session Three - Trade Policy Instruments

We analyze the domestic consequences of trade policy intervention. On the import side, we discuss: tariffs, quotas, voluntary export restraints, and production subsidies. On the export side: we analyze: export taxes, export quotas, and export subsidies. A case study on a Mozambique export tax on cashews is discussed.

Session Four - Arguments for Protection and the WTO System

The forth session has two parts. The first is an economic analysis of arguments for protection. Topics include: market failures, the “infant industry” argument, and strategic trade policy. The second part concerns US trade policy history with an eye towards explaining the principles of the WTO system. Students are exposed to the dispute settlement mechanism, antidumping and countervailing duty rules, the safeguard mechanism, and environmental standards.

Session Five - Preferential Trade Arrangements

The fourth session is devoted to the definition and analysis of preferential trading arrangements including: free trade areas, customs unions, common markets, and economic unions. US experience with NAFTA is included along with the possible economic implications of a Free Trade Agreement of the Americas.
Professor Robert Dunn  
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Session One – Introduction

Session One is an introduction to economics as taught in the U.S. More theory, less History and institutions than in Latin America. Scarcity, assumption of rationality, and personal utility maximization. Problems of external costs. Environmental Economics.

Session Two - Supply and Demand

Session Two looks at practical applications. Consumer and producer surpluses. Cobweb case for products with long lead times.

Session Three - Consumer Demand Theory.

Marginal utility analysis, and indifference curves (if time available). Equal marginal principle. applications to government.

Session Four - Theory of the Firm.

In this session, students are introduced to four market forms.

c) Monopolistic Competition. Common in the services sector.  

Session Five – International Trade

This session looks at International trade as a way to reduce or eliminate monopoly problems. There is also a discussion of the roles of the government in a market economy. Public goods, income distribution, macro stabilization as the major externalities, information provision, and competition policy as second level.

Session Six - Factor Markets –

The group is exposed to land, labor, and capital, with emphasis on labor. The instructor also discusses about marginal physical product, marginal revenue product, etc. In addition, it examines how factor markets work when output markets are or are not perfectly competitive and the possibility of monopoly power in small-localized labor markets.