

Course Title: Economics 379, Investing in Emerging Markets Fall 2018

Classroom: Social Psychology 127

Times: Tuesdays & Thursdays, 10:05– 11:20AM

Professor: Ronald Leven

Office Location: Social Sciences 329F

Office Hours: Wednesday 2:00–4:00PM (subject to change) or by appointment

Overview: The course starts by determining the key macroeconomic factors which differentiate countries that grow and thrive from those that stagnate. Having identified a target country, the focus shifts to methods to determine the risks and advantages of specific investment vehicles. The pitfalls common to emerging markets are investigated as well as how to assess the vulnerability to crisis. The course will also look at hedging these risks and how to combine an emerging market investment into a broader global portfolio.

Texts: **Emerging Markets in an Upside-Down World**, Jerome Booth, Wiley (2014). “**JB**”

Frontier Investor: How to Prosper in the Next Emerging Market, Marko

Dimitrijevic, Columbia University Press (2017). “**MD**”

The Global Economy, Stern School Dept. of Economics, NYU Press (2015). “**NYU**”

Breakout Nations, Ruchir Sharma, Norton and Company (2013). “**RS1**”

The Rise and Fall of Nations, Ruchir Sharma, Norton and Company (2016). “**RS2**”

Topical articles will be added over the course of the semester

Prerequisites: Basic micro and macroeconomics; a 100-level finance class and basic calculus are helpful but not required.

Grades: There will be a mid-term on October 11th (20%) and a final on December 14th (30%). Students will also be expected to complete weekly assignments (10%), two team projects: a term paper on growth prospects for a chosen country (20%) and a simulation of managing a portfolio of emerging market stocks (20%). Classroom participation is encouraged.

COURSE OUTLINE

I Sources of Economic Growth

- 1) Defining economies and the sources of growth (**JB** Ch. 1-2, 4; **DM** Ch. 1-4; **NYU** Ch. 1-5)
 - Methods for differentiating Emerging from Emerged economies
 - Risks typically associated with different categories of development
 - The composition of GDP and where it comes from
 - A quick history of the growth of the world economy
 - Introduction to the Production Function
 - The relationship between Savings and Growth

- 2) The role of government policy in growth (**NYU** Ch. 12, 15-20)
 - The role of fiscal policy in managing growth
 - The importance of independent central banks
 - Exchange rate policy and the Impossible Trinity
- 3) Institutions and Infrastructure (**JB** Ch. 11; **NYU** Ch. 6; **RS1** entire book)
 - Investigating ways to measure institutional quality
 - The relationship between institutional quality and growth
 - Political systems and income distribution as drivers of performance
 - Actions countries can take to improve their institutions

II Selecting Investments in Emerging Markets

- 4) Defining the tiers of investment risk (**JB** Ch. 5-7; **MD** Ch. 5-10)
 - Categorizing the different tiers of investment risk
 - Methods for assessing the risks associated with each tier
 - A deeper dive into sovereign risk
 - An introduction into methods of measuring risk and diversification
 - Determining whether emerging markets offer diversification
- 6) Financial crisis – anticipating and exploiting (**MD** Ch. 11-12; **NYU** Ch. 21; **RS2** entire book)
 - Determining the risk of a global crisis
 - Assessing the vulnerability of a specific country to a crisis
 - Knowing when a crisis is creating an investment opportunity
 - Determining if the government is making an appropriate policy response

III Time permitting, deeper dives into some specific countries:

BRIC (Brazil, Russia, India and China), Turkey, South Africa, Indonesia, Nigeria