

# INTERNATIONAL ECONOMIC POLICY

ECON 385-002 (CRN: 71232)

Instructor: Erik W. Matson

George Mason University

Fall 2015; TR 3:00-4:15

Music/Theater Building Room 1006

Office hours: TBD, Mason Hall D150

**COURSE OBJECTIVE:** The primary objective of this course is to enable you understand and apply basic economic logic in various contexts. To that end, we will spend some time reviewing and reinforcing basic microeconomic theory throughout the semester, particularly in the first portion of the course. As this is a course in international economic policy, the focus of our application of economic logic will naturally be on international issues such as trade, globalization, and economic development.

**COURSE MATERIALS:** The required course materials are listed below. The Bastiat, Hazlitt, and Smith books are available for free online as PDFs. I will periodically assign additional articles and book chapters to be read. Such material will be posted on Blackboard.

Boudreaux, D. (2008). *Globalization*. Westport, CT: Greenwood Press.

Bastiat, Frederic. (1845). *Economic sophisms*.

Gwartney, J., Stroup, R., Lee, D., & Ferrani, T. (2010). *Common sense economics* (2nd Ed.). New York, NY: St. Martins Press.

Hazlitt, Henry. 1996 [1946]. *Economics in one lesson* (50th Anniversary Ed.). Little Rock, AK: Laissez Faire Books.

Smith, A. 1982 [1776]. *An inquiry into the the nature and causes of the wealth of nations*. Indianapolis, IN: Liberty Fund.

**GRADING:** Grades will be broken down as follows:

Exam 1 – 17%

Exam 2 – 23%

Final Exam – 29%

Paper – 22%

Participation – 9%

**EXAMS:** There will be three exams throughout the semester (two midterms and a final) on the lecture and reading material. The exams will be a mix of multiple choice and short answer questions. As I do not post my lecture notes online, attendance is crucial to performance on the exams (and in the class more generally).

I do not offer makeup exams. If you become sick on the day of a midterm exam, I will require a doctor's note. In such cases, I will shift the weight of the missed midterm to your final exam (i.e., the final will consequently be worth 46% or 52% of your grade, depending on which midterm you miss). Similarly, if you become sick on the day of the final, I will likewise require a doctor's note. In such cases, I will shift the weight of the final exam to your paper, which will then comprise 51% of your grade. **If you miss an exam and do not substantiate your absence, you will automatically receive a score of 0 for that exam.**

Here is how I will convert numeric to letter grades for your final grades:

Letter grade	Percentage	Letter grade	Percentage
A	93-100	C+	77-79
A-	90-92	C	73-76
B+	87-89	C-	70-72
B	83-86	D	60-69
B-	80-82	F	0-59

**PAPERS:** Each of you will write a 10-page term paper using the economic concepts and logic developed in the course to either endorse or critique a current international economic policy (bilateral, multilateral, or unilateral) of your choosing. The policy may be one that is already in place, or merely a policy proposal. Note that I am NOT looking for a policy summary, but am looking to see whether or not you can apply the concepts we will discuss throughout the course. Summary papers will not be accepted. **Students who submit such papers will be asked to rewrite and resubmit within 24 hours and will automatically start with an 80% on the paper.** If you are having difficulty with your paper, or are unsure what I am looking for, please come see me (sooner in the semester rather than later...).

Some questions to think about when writing your paper (this is not by any means an exhaustive list of question): What is the basic economic rationale behind the policy you are analyzing? If the policy doesn't seem to make economic sense, what could the political motivation for implementing it be? What are the historical instances of such policies? What does economic theory suggest about the outcomes of such a policy? If the policy is already in place, is the outcome compatible with economic theory? If not, why might that be the case?

I will be looking for the following when I grade your papers:

- Clarity in argument (i.e., can I easily tell what your position is?)
- Economic logic (i.e., do you demonstrate a solid understanding of basic economic logic?)
- Scope of analysis (i.e., do you treat what other scholars have said regarding the policy and refute potential counterpoints to your position?)
- Clarity in writing

**The paper is due at 1:30 on 12/17, the date of the final exam. Late submissions will be docked a letter grade per day past the deadline.**

**PLAGIARISM:** Plagiarism is a serious offense. Your papers should be your original work. If you are unsure as to what constitutes plagiarism, see the George Mason Honor Code: <http://mason.gmu.edu/~montecin/plagiarism.htm>. If I find that you have plagiarized, I will fail you for the course and report you to the George Mason Honor Committee.

**PARTICIPATION:** Starting the second week of class, I will ask discussion questions towards the beginning of each lecture. I will give a few minutes for you to prepare and write responses to the discussion questions. I will give a few minutes for you to discuss your responses with your neighbors. I will call on 3-4 random students to share their answers and will assign participation grades accordingly. There are three gradations to participation: 0 (0/100 points) for no response; 1 (80/100) for any reasonably thought out response; 2 (100/100 points) for a thoughtful and well articulated response. Each of you should expect to be called on 2-3 times throughout the semester (on randomly assigned days).

**DISABILITIES:** If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services at 703.993.2474 or [ods.gmu.edu](http://ods.gmu.edu). All academic arrangements concerning disabilities must be made through that office.

#### **IMPORTANT DATES:**

9/8: Last day to add classes; last day to drop without penalty

10/13: No class due to Columbus day schedule

**10/8: First exam**

**11/19: Second exam**

11/26: Thanksgiving recess

12/10: Last day of classes

**12/17: Final exam; final paper due**

## TENTATIVE LIST OF TOPICS/READING SCHEDULE [this is subject to change]:

### Abbreviations:

Wealth of Nations = WN

Theory of Moral Sentiments = TMS (Free PDF online; also posted on Blackboard)

Common Sense Economics = CSE

Economics in One Lesson = Hazlitt

Economic Sophisms = Bastiat

Class	Topic	Readings/Assigned Material
9/1	Syllabus; Introduction	CSE, 1-92; Hazlitt I; GS, 16-17
9/3	Economic Fallacies	Bastiat, Intro; I.i, ii; Hazlitt, II-VI, VIII, XXII;
9/8	Price theory I: Prices and spontaneous order	TMS, IV.ii.6-10; Bastiat, IX; Hazlitt, XV, Hayek (1945), <a href="#">I-pencil</a>
9/10	Price theory II: Supply and demand	GS, 3
9/15	Price theory III: Welfare analysis	GS, 81-91; Hazlitt, XVII-XIX, XIII
9/17	Trade theory I: Mutual benefits of trade	A&A, Ch. 3; WN, I.i-iii
9/22	Trade theory II: Comparative advantage	Boudreaux, Ch. 3; Bastiat IV
9/24	Monetary theory I: Intro to money	WN, I.iv; GS, 276-284; <a href="#">Article on money supply</a>
9/29	Monetary theory II: The Federal Reserve	<a href="#">History of the Fed</a> ; GS, 285-297
10/1	Monetary theory III: Inflation and output	<a href="#">Understanding Inflation</a> ; Bastiat, XI; Hazlitt, XXIII
10/6	Monetary theory IV: Exchange rates	GS, 411-419; 3 MRUniversity videos: <a href="#">1</a> , <a href="#">2</a> , <a href="#">3</a>
10/8	<b>FIRST EXAM</b>	
10/13	<b>NO CLASS</b>	
10/15	Globalization I: Introduction	Boudreaux, Ch. 1-2
10/19	International Trade I: Mercantilism	<a href="#">Mercantilism</a> ; WN, IV.ii; Hazlitt XI
10/21	International Trade II: Welfare analysis of tariffs	Bastiat, I.v, vii, II.iii; WN, IV.iii; Tullock (1967)
10/26	International Trade III: Unilateral free trade	Boudreaux, Ch. 5; Bastiat, X; Hazlitt, XIV;
10/28	Introduction to Public Choice	Boudreaux, Ch. 7-8; GS, 125-141; WN, I.x.iii.conclusion
11/3	International Trade IV: The balance of trade	Boudreaux, Ch. 6; WN, IV.i; Bastiat, vi, viii
11/5	Globalization II: Jobs and Wages	Boudreaux, Ch. 4; WN, I.x.ii; Bastiat, I.xii, xx, xvii; Hazlitt, XX
11/10	Globalization IV: Sweatshops	Snyder (2010); Powell & Zwolinski (2012)
11/12	Introduction to Environmental Economics	Hardin (1968); Coase (1960)
11/17	Globalization V: Culture and economics	Voitlaender & Voth (2012); Hume, Of Refinement in the Arts
11/19	<b>SECOND EXAM</b>	
11/24	Development Economics I: Introduction	<a href="#">MRUniversity video</a> ; Hall & Jones (1999); Leeson (2010); Bauer (2000)
11/26	<b>NO CLASS</b>	
12/1	Development Economics II: Institutions	North & Weingast (1989); TMS, II.ii
12/3	Development Economics III: Causation	Engerman & Sokoloff (2000); Acemoglu et.al.(2001)
12/8	Development Economics IV: The mystery of industrialization and state capacity	<a href="#">The Industrial Revolution</a> ; Pincus & Robinson (2011); Lamoreaux (2011)
12/10	Development Economics V: Foreign aid	3 MRUniversity videos: <a href="#">1</a> , <a href="#">2</a> , <a href="#">3</a> ; Easterly, (2003); Boettke et. al. (2008)